

## Ball Corporation (BLL)

**\$61.17** (As of 05/13/20)

Price Target (6-12 Months): **\$65.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 08/05/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: C

### Summary

Ball Corp's first-quarter 2020 adjusted earnings per share improved from the prior-year quarter while revenues were flat. While the bottom line beat the Zacks Consensus Estimate, the top line missed the same. Overall global beverage can demand continues to grow as customers are preferring cans over glass and plastic. The company continues to execute its strategies of achieving better value for standard products and higher growth for specialty products. The Aerospace segment is likely to benefit from its strong backlog levels and business wins. Ball Corp's balance sheet remains healthy and provides its flexibility to invest in capacity while returning value to shareholders. Focus on new products, completing growth capital projects and cost cutting will also drive results. However, the impact of the coronavirus pandemic remains a headwind.

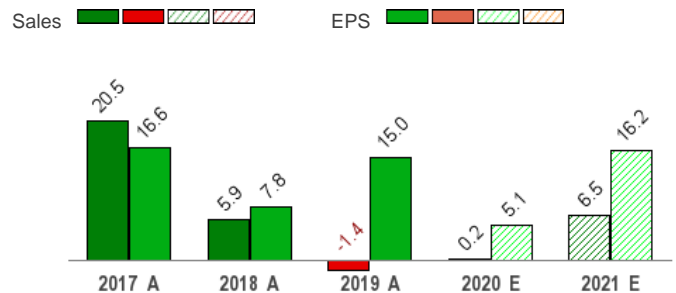
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$82.82 - \$51.26
20 Day Average Volume (sh)	1,840,357
Market Cap	\$19.9 B
YTD Price Change	-5.4%
Beta	0.49
Dividend / Div Yld	\$0.60 / 1.0%
Industry	<a href="#">Containers - Metal and Glass</a>
Zacks Industry Rank	Top 17% (42 out of 253)

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.7%
Last Sales Surprise	-2.0%
EPS F1 Est- 4 week change	-7.3%
Expected Report Date	08/06/2020
Earnings ESP	0.0%
P/E TTM	23.0
P/E F1	23.0
PEG F1	4.2
P/S TTM	1.7

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,945 E	3,115 E	3,150 E	2,960 E	12,243 E
2020	2,785 A	2,882 E	2,998 E	2,806 E	11,492 E
2019	2,785 A	3,017 A	2,953 A	2,719 A	11,474 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.64 E	\$0.78 E	\$0.84 E	\$0.74 E	\$3.09 E
2020	\$0.61 A	\$0.58 E	\$0.76 E	\$0.71 E	\$2.66 E
2019	\$0.49 A	\$0.64 A	\$0.70 A	\$0.71 A	\$2.53 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/13/2020. The reports text is as of 05/14/2020.

## Overview

Headquartered at Broomfield, CO, Ball Corporation is one of the world's leading suppliers of metal packaging to the beverage, personal care and household products industries. Its packaging products compete with plastics and glass and are produced for a variety of end uses to large, multinational beverage, personal care and household products companies. The company also provides aerospace and other technologies and services to governmental and commercial customers.

Effective Jan 1, 2020, the company implemented changes to its management and internal reporting structure for cost reduction and operational efficiency purposes. The company's operations are presented in the four reportable segments –

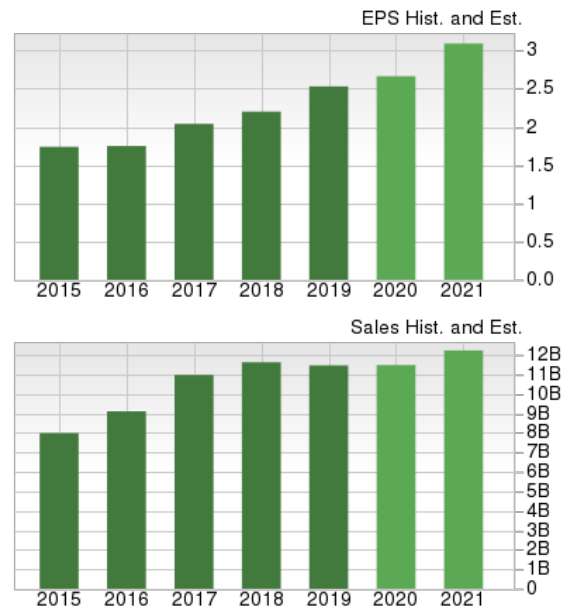
**Beverage packaging, North and Central America** (41% of 2019 sales) - Consists of operations in the United States, Canada and Mexico that manufacture and sell metal beverage containers throughout those countries.

**Beverage packaging, South America** (15%) - Consists of operations in Brazil, Argentina, Paraguay and Chile that manufacture and sell metal beverage containers throughout most of South America.

**Beverage packaging, EMEA** (23%) - Consists of operations in several countries in Europe, including Russia, Egypt and Turkey that manufacture and sell metal beverage containers throughout most of Europe.

**Aerospace** (13%) - Consists of operations that manufacture and sell aerospace and other related products and provide services to the defense, civil space and commercial space industries.

In October 2019, the company sold its Argentine steel aerosol packaging business, which included facilities in Garin and San Luis, Argentina. In September 2019, the company completed the sale of its metal beverage packaging business in China.



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## Reasons To Buy:

- ▲ Ball Corp provides key aluminum packaging products and services to stable consumer-oriented end-markets, such as food and beverages, household and healthcare. Demand is usually fairly stable across economic cycles as they include essentials used in day-to-day lives. As the coronavirus outbreak spread in North America, the company witnessed significant demand for beverage can demand. Higher demand for at-home consumption is anticipated to continue for the foreseeable future. Throughout 2020, the Beverage packaging, North and Central America segment is expected to gain on continued benefits from new customer contracts, operational efficiency, strong demand for aluminum beverage packaging, and increased availability of cans from new production lines in Georgia and Texas. Notably, these product lines will be operational in the second half and expected to add significantly to year-over-year results. The Beverage Packaging, EMEA segment will gain on growing customers' growing preference for cans for traditional and non-traditional beverages, strong growth for energy drinks and higher at-home consumption. Projects for multiple beverage can line additions will be executed across the existing European plant network in 2020 and beyond to meet demand.
- ▲ The Aerospace segment's contracted backlog remains strong at \$2.3 billion as of first-quarter 2020 end. Contracts already won, but not yet booked into current contracted backlog, reflecting an increase of 14%. Program execution remains at a high level across the business. The segment continues to win and provide mission-critical programs and technologies to U.S. government, defense, intelligence, reconnaissance and surveillance customers. Multiple projects to expand manufacturing capacity, test capabilities and engineering and support space are on track. Its headcount has increased by over 250 employees. In 2020 and beyond, the larger labor base will execute on a broad base of defense, civil, climate monitoring and weather prediction contracts that will help drive the segment's earnings in the future.
- ▲ Overall global beverage can demand continues to grow as customers are now preferring cans over glass and plastic. Ball Corporation continues to execute its strategies of achieving better value for standard products and higher growth for specialty products. The company is focused on pursuing cost-control, completing growth capital projects and commercializing on the inherent sustainability attributes of metal packaging, which will benefit it in the months to come. Ball Corp expects capital spending of \$800 million and free cash flow of \$500 million in 2020. Further, the company has taken actions to improve operational performance in aluminum aerosol business, while initiating additional products to expand aerospace infrastructure and testing capabilities. The company maintains its expectation to deliver long-term diluted earnings per share growth of at least 10% to 15% beyond 2020 and achieve EVA (economic value added) dollars growth of 4% to 8% per year.
- ▲ The company is largely investing in aluminum packaging production to capitalize on the rising demand for aluminum cans, bottles and cups. Ball Corporation is also focused on improving operational efficiencies, sustainability benefits and ramping-up the previously-announced line additions, speed-ups and greenfield-plant expansions. The company has completed the sale of its China beverage can business and its Argentine steel aerosol business. Ball Corporation's recently-launched infinity bottle will provide sustainable solution for personal care products, as customers are shifting from small- to mid-sized plastic containers at hotels and stores. Ball Corporation expects its previously-announced aluminum beverage can and cup projects to add at least 8 billion units of capacity by the end of 2021. In March 2020, Ball Corp agreed to acquire TubexIndustria E Comercio de Embalagens Ltda, an aluminum aerosol packaging business with a plant near Sao Paolo, Brazil, for initial cash consideration of \$80 million, subject to customary closing adjustments, and potential additional consideration not to exceed \$30 million over the three years following the transaction close date. The business will be part of Ball Corp's aerosol packaging operating segment. The transaction is expected to close in third-quarter 2020 and will broaden the geographic reach of the company's aluminum aerosol packaging business, serving the growing Brazilian personal care market.
- ▲ Ball Corp's balance sheet remains healthy and provides flexibility to invest in capacity while returning value to shareholders in the current economic environment. The company's long-term debt was around \$8 billion at the end of first-quarter 2020. The company has no debt maturities until 2022, and its senior credit facilities are in place until 2024. As of Mar 31, 2020, taking into account outstanding letters of credit, approximately \$555 million was available under the company's existing long-term, revolving credit facilities. In addition to these facilities, the company had approximately \$1.1 billion of short-term uncommitted credit facilities available at Mar 31, 2020, of which \$517 million was outstanding and due on demand. The company expects to generate free cash flow of around \$500 million in 2020. Further, Ball Corp's times interest earned ratio was 2.4 in 2019, which has been increasing over the last three years. This further underscores the company's ability to meet debt obligations.

Ball Corporation will benefit from growing preference for aluminium packaging, strong aerospace backlog, low debt level, new products and focus on cost-cutting actions.

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### Reasons To Sell:

- ▼ Headwinds related to currency; higher freight rates will likely affect Ball Corporation's results. The impact of the coronavirus outbreak also remains a concern.
- ▼ In order to serve strong demand growth, particularly in specialty can sizes, the North and Central America segment has been battling short-term costs due to tight inventories. Further, year-over-year segment volume growth has been limited by the availability of cans. Thus, until new production comes online, the segment's volume is likely to be suppressed in the first half of the current year.
- ▼ The company's performance will be marred by volatile volumes in the EMEA beverage can business due to governmental regulation. Additionally, conflicts in the Middle Eastern will likely impact volumes.

Ball Corporation's performance will be impacted by headwinds related to currency, higher freight rates and lower volumes in the North and Central America segment.

## Last Earnings Report

### Ball Corp's Earnings Beat, Sales Trail Estimates in Q4

Ball Corporation reported fourth-quarter 2019 adjusted earnings of 71 cents per share, beating the Zacks Consensus Estimate of 68 cents. The reported figure improved 29% on a year-over-year basis.

On a reported basis, the company posted earnings of 48 cents per share compared with 44 cents in the prior-year quarter.

Total sales came in at \$2,719 million in the reported quarter, down from \$2,803 million in the year-ago quarter. The top line missed the Zacks Consensus Estimate of \$2,887 million.

The fourth-quarter results reflect the 2019 sale of the company's Argentine steel aerosol business and Chinese beverage can assets, and the 2018 sale of the company's U.S. steel food and steel aerosol business.

### Operational Update

Cost of sales declined to \$2,159 million from \$2,246 million the year-ago quarter. Gross profit was up \$560 million from the year-ago quarter's \$557 million. Gross margin came in at 20.5% during the fourth quarter compared with the prior-year quarter figure of 19.8%.

Selling, general and administrative expenses fell 29.3% year over year to \$89 million. Adjusted operating income increased 14% to \$340 million from the year-ago quarter figure of \$298 million. The company reported operating margin of 12.5% compared with 10.6% in the year-ago comparable period.

### Segment Performance

The Beverage packaging's North and Central America segment revenues decreased to \$1,111 million in the fourth quarter from \$1,113 million a year ago. Operating earnings went up 8.6% year over year to \$139 million.

Sales at the Beverage packaging, Europe segment came in at \$599 million in the reported quarter, declining 4% year over year. Operating earnings increased 6.3% year over year to \$67 million. Segment volume was driven by customers' increasing preference for can over glass packaging, strong growth for energy drinks and growing demand for specialty cans.

The Beverage packaging South America segment's revenues declined to \$460 million during the fourth quarter from \$472 million in the prior-year comparable period. Operating earnings moved up to \$95 million from \$78 million in the year-earlier quarter. Industry beverage can demand in South America remains strong as customers are shifting from glass packaging to aluminum cans.

In the Aerospace segment, sales rose 10.8% year over year to \$398 million. Operating earnings fell to \$37 million from year-ago quarter figure of \$38 million. As of the end of 2019, the segment's contracted backlog increased to \$2.5 billion. Since then, the company has won contracts worth \$4.2 billion, which have not yet been included in the backlog.

### Financial Condition

Ball Corp reported cash and cash equivalents of \$1,798 million at the end of 2019, up from \$721 million at the end of the prior year. Cash flow from operating activities were \$1,548 million during 2019, compared with the \$1,566 million in 2018. The company's long-term debt decreased to \$6,337 million as of Dec 31, 2019, from \$6,510 million as of Dec 31, 2018.

The company has returned more than \$1 billion to shareholders in 2019 through dividends and share repurchases.

### 2019 Performance

Adjusted earnings per share for 2019 came in at \$2.53, an improvement of 15% from the prior year. Earnings beat the Zacks Consensus Estimate of \$2.50. Including one-time items, earnings in the period came in at \$1.66, up 29% year over year.

Revenues were at \$11.5 billion in 2019, reflecting year-over-year decline of 1.4%. The top line missed the Zacks Consensus Estimate of \$11.6 billion.

### Outlook

Ball Corp continues to anticipate long-term earnings per share growth of 10-15% and EVA dollar growth in the current year. The company is committed to improving earnings and cash flow in order to support disciplined capital investments and return value, worth \$1 billion, to shareholders in 2020.

Quarter Ending **03/2020**

Report Date	May 07, 2020
Sales Surprise	-2.01%
EPS Surprise	1.67%
Quarterly EPS	0.61
Annual EPS (TTM)	2.66

## Recent News

### Ball Corp to Buy Tubex Facility, Expand in Aluminum Packaging - Mar 12, 2020

Ball Corporation has entered into an agreement to acquire an aluminum aerosol packaging business, Tubex Industria E Comercio de Embalagens Ltda, for \$80 million. Notably, the buyout includes the purchase of a plant near Sao Paolo, Brazil.

The Sao Paolo-based plant's eight extruded aluminum aerosol can lines produce personal care packaging for local and global customers. The plant has around 300 employees.

With the increasing preference for sustainable aluminum packaging options among global customers, this strategic investment allows the company to extend its geographic reach, while serving the market as one of the leading aluminum aerosol suppliers in Brazil.

Following the buyout, the plant will be part of Ball Corporation's aluminum aerosol packaging division. Moreover, the latest acquisition supports the company's global aluminum aerosol and slug business in Europe, North America and Asia.

## Valuation

Ball Corporation's shares are down 4.7% over the trailing 12-month period. Stocks in the Zacks Containers - Metal and Glass industry and the Zacks Industrial Products sector are up 3.6% and down 19.7% over the past year, respectively.

The S&P 500 index is down 0.7% in the past year.

The stock is currently trading at 21.28X forward 12-month earnings, which compares with 16.45X for the Zacks sub-industry, 17.95X for the Zacks sector and 20.44X for the S&P 500 index.

Over the past five years, the stock has traded as high as 33.25X and as low as 14.16X, with a 5-year median of 18.54X.

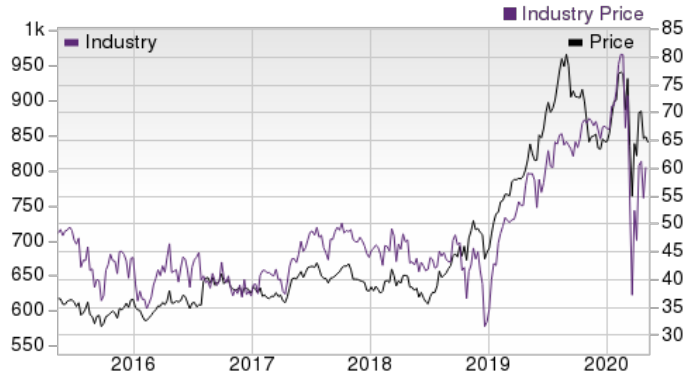
Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$65 price target reflects 22.61X forward 12-month earnings.

The table below shows summary valuation data for BLL:

Valuation Multiples - BLL					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	21.28	16.45	17.95	20.44
	5-Year High	33.25	19.8	19.93	20.79
	5-Year Low	14.16	12.02	12.55	15.19
	5-Year Median	18.54	16.23	16.65	17.45
P/S F12M	Current	1.63	1.23	2.31	3.18
	5-Year High	2.2	1.5	2.72	3.44
	5-Year Low	0.91	0.91	1.52	2.54
	5-Year Median	1.27	1.12	1.99	3.02
EV/EBITDA TTM	Current	13.67	12.12	13.87	10.2
	5-Year High	20.63	16.46	17.37	12.86
	5-Year Low	9.6	8.86	10.8	8.28
	5-Year Median	13.07	11.97	14.76	10.77

As of 05/13/2020

## Industry Analysis Zacks Industry Rank: Top 17% (42 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
Silgan Holdings Inc (SLGN)	Outperform	1
AptarGroup Inc (ATR)	Neutral	3
Berry Global Group Inc (BERY)	Neutral	2
Crown Holdings Inc (CCK)	Neutral	3
OI Glass Inc (OI)	Neutral	4
Packaging Corporation of America (PKG)	Neutral	3
Sealed Air Corporation (SEE)	Neutral	3
Sonoco Products Company (SON)	Neutral	3

Industry Comparison Industry: Containers - Metal And Glass				Industry Peers		
	BLL	X Industry	S&P 500	BERY	CCK	SLGN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	2	3	1
VGM Score	F	-	-	A	C	D
Market Cap	19.94 B	5.63 B	18.76 B	4.99 B	7.71 B	3.54 B
# of Analysts	7	6	14	7	6	6
Dividend Yield	0.98%	1.24%	2.23%	0.00%	0.00%	1.50%
Value Score	D	-	-	A	C	B
Cash/Price	0.04	0.06	0.06	0.16	0.09	0.16
EV/EBITDA	16.53	9.18	11.39	10.53	9.37	8.99
PEG Ratio	4.10	1.92	2.54	0.74	1.62	2.21
Price/Book (P/B)	7.38	3.63	2.56	3.02	3.78	3.47
Price/Cash Flow (P/CF)	13.00	7.62	10.04	4.64	6.44	7.85
P/E (F1)	22.58	14.59	18.48	9.30	11.33	13.28
Price/Sales (P/S)	1.74	1.27	1.91	0.46	0.66	0.79
Earnings Yield	4.35%	6.90%	5.09%	10.76%	8.82%	7.51%
Debt/Equity	2.77	2.45	0.75	6.69	4.28	2.13
Cash Flow (\$/share)	4.70	4.39	7.01	8.12	8.88	4.07
Growth Score	F	-	-	B	D	D
Hist. EPS Growth (3-5 yrs)	9.55%	10.57%	10.82%	17.75%	10.51%	11.36%
Proj. EPS Growth (F1/F0)	5.25%	3.52%	-10.51%	18.73%	-1.11%	11.34%
Curr. Cash Flow Growth	4.20%	6.42%	5.83%	7.93%	7.40%	5.44%
Hist. Cash Flow Growth (3-5 yrs)	13.04%	12.22%	8.52%	15.70%	12.67%	4.92%
Current Ratio	1.06	1.14	1.27	1.84	1.31	1.21
Debt/Capital	73.47%	70.76%	44.25%	86.99%	81.06%	68.06%
Net Margin	4.11%	4.40%	10.59%	3.86%	4.24%	4.56%
Return on Equity	28.11%	26.82%	16.36%	28.90%	35.65%	25.52%
Sales/Assets	0.68	0.72	0.54	0.73	0.75	0.87
Proj. Sales Growth (F1/F0)	0.15%	-1.26%	-2.55%	33.06%	-2.68%	1.71%
Momentum Score	C	-	-	B	A	B
Daily Price Chg	-1.23%	-2.43%	-2.85%	-8.01%	-3.65%	-1.48%
1 Week Price Chg	-1.60%	0.28%	3.23%	6.92%	0.88%	-0.32%
4 Week Price Chg	-9.57%	-3.62%	-0.28%	7.48%	-6.29%	-0.96%
12 Week Price Chg	-20.57%	-24.03%	-23.80%	-12.12%	-27.50%	-1.24%
52 Week Price Chg	-2.14%	-3.79%	-13.31%	-22.47%	-5.43%	6.18%
20 Day Average Volume	1,840,357	1,024,767	2,552,088	1,789,977	1,251,276	798,258
(F1) EPS Est 1 week change	-6.85%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-7.31%	-5.73%	-6.15%	0.67%	-4.14%	4.41%
(F1) EPS Est 12 week change	-9.25%	-8.52%	-16.21%	-1.94%	-7.79%	3.66%
(Q1) EPS Est Mthly Chg	-21.66%	-17.43%	-12.28%	-4.72%	-13.21%	8.53%

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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	<b>D</b>
Growth Score	<b>F</b>
Momentum Score	<b>C</b>
VGM Score	<b>F</b>

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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