

Crown Holdings Inc. (CCK)

\$65.13 (As of 06/30/20)

Price Target (6-12 Months): **\$68.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/10/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: D

Momentum: B

Summary

Crown Holdings' earnings estimates for the second-quarter and current year have been stable of late. The company has revoked the current-year guidance due to the uncertain impact of the coronavirus pandemic. The Transit Packaging segment will be impacted by the weak global manufacturing activity while lower volumes in European food markets remain a concern. Further, the European segment's results will bear the brunt of the coronavirus outbreak. Going forward, the company will benefit from rising global beverage can demand as consumers are favoring cans over other formats. It remains poised to capitalize on this trend through capacity additions to existing plants, and building new plants in existing markets and strategic acquisitions. The company's focus on disciplined pricing and cost control will also aid results.

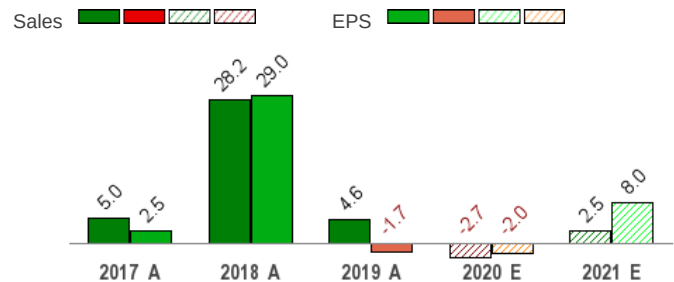
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$80.57 - \$42.97
20 Day Average Volume (sh)	1,057,832
Market Cap	\$8.8 B
YTD Price Change	-10.2%
Beta	1.25
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Containers - Metal and Glass
Zacks Industry Rank	Top 38% (96 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	21.5%
Last Sales Surprise	0.2%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	07/20/2020
Earnings ESP	0.0%
P/E TTM	12.6
P/E F1	13.0
PEG F1	1.9
P/S TTM	0.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					11,634 E
2020	2,757 A	2,802 E	2,960 E	2,749 E	11,352 E
2019	2,755 A	3,035 A	3,084 A	2,791 A	11,665 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$5.41 E
2020	\$1.13 A	\$1.34 E	\$1.59 E	\$1.05 E	\$5.01 E
2019	\$1.05 A	\$1.46 A	\$1.56 A	\$1.04 A	\$5.11 A

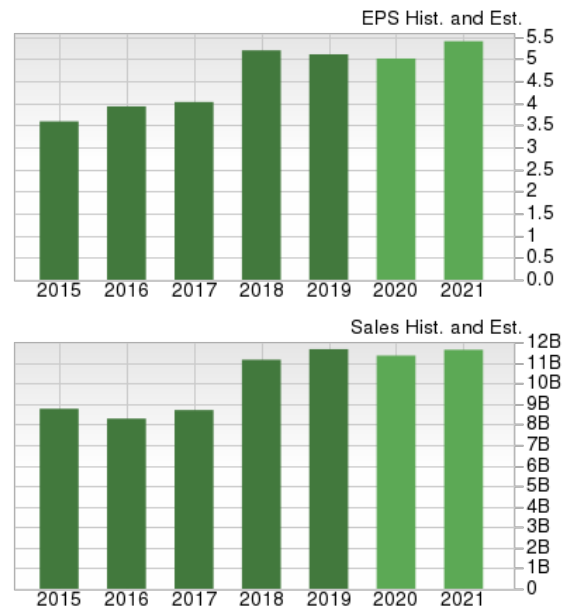
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/30/2020. The reports text is as of 07/01/2020.

Overview

Headquartered at Philadelphia, PA, Crown Holdings is a leading global manufacturer of packaging products for consumer goods. Crown makes a wide variety of steel and aluminum cans for food, beverage, household, and other consumer products and metal vacuum closures, steel crowns and caps. The company reports its performance in five operating segments.

- **Americas Beverage** (33% of fiscal 2019 revenues) — The division manufactures aluminum beverage cans and ends, steel crowns, glass bottles and aluminum closures and supplies a variety of customers from its operations in the United States, Brazil, Canada, Colombia and Mexico.
- **European Beverage** (15%) — The segment manufactures steel and aluminum beverage cans, and ends and supplies a variety of customers from its operations throughout Europe, the Middle East and North Africa.
- **European Food** (18%) — The segment manufactures steel and aluminum food cans, ends and metal vacuum closures, and supplies a variety of customers from its operations throughout Europe and Africa.
- **Asia-Pacific** (13%) — The segment primarily consists of beverage can operations in Cambodia, China, Indonesia, Malaysia, Singapore, Thailand and Vietnam and also includes the company's non-beverage can operations, primarily food cans and specialty packaging in China, Singapore, Thailand and Vietnam.
- **Transit Packaging** (22%) — In April 2018, the company completed acquisition of Signode, which is reported as the Transit Packaging segment. The Transit Packaging segment includes the company's global industrial and protective solutions and equipment and tools businesses.



Reasons To Buy:

- ▲ Crown Holdings remains on track to meet future global growth of beverage-can demand. The company expects the North American market to remain solid in the current year with strong beverage can demand. Beverage can volumes remained strong in Brazil, Europe, Southeast Asia and the United States, as consumers continue to increasingly prefer cans over other packaging. In 2019, the North American beverage can industry grew at its fastest pace in 25 years mainly due to the outsized portion of new beverage products being introduced in cans over other packaging formats. Overall in 2019, beverage can volumes were up 3%. Crown Holdings' products are significant part of food and beverage supply chains, and also provide critical support to the transportation industry. It is focused on ensuring that its manufacturing facilities across the globe remain operational while continuing to meet the evolving customer demand by delivering high quality products.
- ▲ Crown Holdings is anticipated to gain from a rise in global beverage-can demand. Developing markets such as Mexico and Brazil have experienced higher growth rates due to rising per capita income and the consequent increase in beverage consumption. While the economies in Europe and North America are more mature, there are still growth opportunities aided by beverages, such as energy drinks, teas, juices, sparkling water and craft beer, and an increased preference for cans over certain other forms of beverage packaging. With its many inherent benefits, including being infinitely recyclable, the beverage can continue to become the increasingly preferred package for marketers and consumers globally.
- ▲ To meet the rising beverage-can demand, Crown Holdings intends to build new facilities and is poised to gain from the geographic expansion of beverage can lines. The company installed a new aluminum beverage can line at the Weston, Ontario plant, which began production in January, while the startup of the third high-speed line in Nichols, NY facility is now delayed until June, due to the coronavirus pandemic. Both Nichols and Weston lines will be capable of producing multiple can sizes. In the March-end quarter, the company started building a new state-of-the-art beverage can facility in Bowling Green, Kentucky, which is expected to come online in second-quarter 2021. Crown Holdings has commenced operations at a new facility in Rio Verde, Brazil. It also begun construction of a new beverage can plant in NongKhao, Thailand, which will begin production during third-quarter 2020. Further, its multi-year project to convert beverage can capacity in Spain from steel to aluminum is close to completion. Both lines in the Seville plant, which have multi-size capability, will be in commercial production early in the second quarter 2020.
- ▲ Crown Holdings is focused on disciplined pricing, cost control and capital allocation. Through 2020, the company's primary capital-allocation focus will be to reduce leverage while still investing in its business. Crown Holdings continues to pursue growth opportunities through capacity additions to existing plants, new plants in existing markets, along with strategic acquisitions in geographic areas and product lines. The company is also focused on maintaining strong liquidity position and a sound capital structure. In April 2018 Crown Holdings acquired Signode Industrial Group Holdings, which is a leading global provider of transit packaging systems and solutions. This broad and diversified Crown Holdings' customer base and product offerings will benefit earnings and cash flow in the current year. Further, its previous acquisition of EMPAQUE, a leading manufacturer for the beverage industry in Mexico, significantly fortified the company's presence in the growing Mexican market.

Crown Holdings will benefit from investment in capacity to meet solid global beverage-can demand, strategic acquisitions to increase geographic presence and product line and focus on cost control.

Reasons To Sell:

- ▼ Crown Holdings has revoked its current-year guidance due to the uncertainty of the impact and duration of the coronavirus pandemic. In response to the virus outbreak, the company has imposed travel restrictions and measures to protect the health and ensure safety of its employees. The impact of the pandemic is expected to weaken beverage can demand in the near term in certain areas such as Brazil, Mexico and Southeast Asia.
- ▼ The European Beverage segment's results will be impacted in second-quarter 2020 as the Seville plant will be down as the company completes the conversion from steel to aluminum. Crown Holdings expects slowdown in European Beverage can demand specially in Italy, Turkey and the U.K in the second-quarter due to the adverse impact of the coronavirus outbreak in the Europe. Sales unit volumes in European food segment were flat in the first quarter, against a strong comparable first quarter 2019. The European food can market has been witnessing lower volumes in recent years due to challenging harvest yields. In Brazil, can shipment volume is likely to decline in the second-quarter 2020. With rising unemployment and declining incomes, Brazilian consumers are being cautious on their spending and thus, beer demand has softened considerably. Beer demand is expected to be sharply contracted in the second quarter in Brazil, where 70% of beer sales occur in the food service channel.
- ▼ The Transit Packaging segment's outlook is grim owing to the slowdown in the global manufacturing activity. Given the impact of the coronavirus pandemic, the company expects lower demand in several of the industries served by its transit packaging businesses. The U.S manufacturing sector is bearing the brunt of the coronavirus pandemic which was already reeling under U.S.-China trade tensions and waning global demand. This is likely to impact demand for Crown Holdings. The U.S Purchasing Managers' Index (PMI) as per the Institute for Supply Management came in at 43.1% in May, indicating a consecutive three months of contraction.
- ▼ Crown Holdings uses various raw materials, such as steel, aluminum, tin, water, natural gas, electricity and other processed energy, in its manufacturing operations. Signode, which its subsidiary now, also uses steel and materials derived from crude oil and natural gas, such as polyethylene and polypropylene resins. The prices of certain raw materials used by the company, such as steel, aluminum and processed energy, have historically been subject to volatility. Also, the company is subject to fluctuations in the cost of these raw materials due to the tariffs imposed in the United States, which may escalate costs. The company may not be able to pass through the rise in raw materials costs to its customers, without suffering loss in unit volume, revenues and operating income.

Crown Holdings' results are likely to be hurt by lower volume in the European food can market. The Transit Packaging segment is likely to bear the brunt of the weak global manufacturing activity.

Last Earnings Report

Crown Holdings' Earnings & Sales Top Estimates in Q1

Crown Holdings reported first-quarter 2020 adjusted earnings per share of \$1.13, which surpassed the Zacks Consensus Estimate of 93 cents. The bottom-line figure also improved 7.6% year over year.

Including one-time items, earnings per share declined 15.6% year over year to 65 cents in the reported quarter.

Net sales in the quarter came in at \$2,757 million, up from the year-ago quarter's \$2,755 million. The reported figure also outpaced the Zacks Consensus Estimate of \$2,752 million.

Quarter Ending 03/2020

Report Date	Apr 20, 2020
Sales Surprise	0.19%
EPS Surprise	21.51%
Quarterly EPS	1.13
Annual EPS (TTM)	5.19

Cost and Margins

Cost of products sold was up 0.5% year over year to \$2,220 million. On a year-over-year basis, gross profit edged down 1.5% to \$537 million. Gross margin contracted to 19.5% from the year-ago quarter's 19.8%.

Selling and administrative expenses flared up 3.2% year over year to \$162 million. Segment operating income declined 5.4% year over year to \$298 million during the first quarter. Operating margin came in at 10.8% compared with 11.4% recorded in the prior-year quarter.

Segment Performance

Net sales in the Americas Beverage segment came in at \$871 million, up 10.5% from the prior-year quarter's tally of \$788 million. Segment operating profit improved 18.6% year over year to \$134 million.

The European Beverage segment's sales went up 2.1% year over year to \$346 million. Operating income came in at \$39 million, flat year on year.

Revenues in the European Food segment fell 5% year over year to \$402 million. Segment operating profit plunged 31.3% year over year to \$33 million.

The Asia-Pacific segment's revenues declined 6.2% year over year to \$301 million. Operating profit was \$45 million, flat year over year.

Revenues in the Transit Packaging segment totaled \$522 million compared with the \$569 million recorded in the year-ago period. Operating profit declined 9.6% year over year to \$66 million.

Financial Update

Crown Holdings had cash and cash equivalents of \$765 million at the end of the reported quarter compared with the year-earlier quarter's \$301 million. The company utilized \$607 million cash in operating activities during the March-end quarter compared with the prior-year quarter figure of \$666 million.

As of the quarter's end, Crown Holdings' long-term debt decreased to \$8,631 million from \$8,814 million as of end of the prior year.

Outlook

Crown Holdings has revoked its current-year guidance due to the uncertainty of the impact and duration of the coronavirus pandemic. In response to the virus outbreak, the company has imposed travel restrictions and measures to protect the health and ensure safety of its employees.

The company's products are significant part of food and beverage supply chains, and also provide critical support to the transportation industry. It is focused on ensuring its manufacturing facilities across the globe remain operational while continuing to meet the evolving customer demand by delivering high quality products.

Crown Holdings remains on track to meet the future global growth of beverage-can demand. Also, it is committed to implement the previously-announced capacity-expansion projects with its strong liquidity position and sound capital structure.

Valuation

Crown Holdings' shares are down 10.2% in the year-to-date and up 4.6% over the trailing 12-month period. Stocks in the Zacks Containers - Metals and Glass industry and the Industrial Products sector are up 0.9% and down 12.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 0.7% and 5%, respectively.

The S&P 500 index is down 3.7% in the year-to-date period while up 4.8% in the past year.

The stock is currently trading at 12.50X forward 12-month earnings, which compares with 18.21X for the Zacks sub-industry, 21.25X for the Zacks sector and 21.87X for the S&P 500 index.

Over the past five years, the stock has traded as high as 14.56X and as low as 7.02X, with a 5-year median of 12.80X.

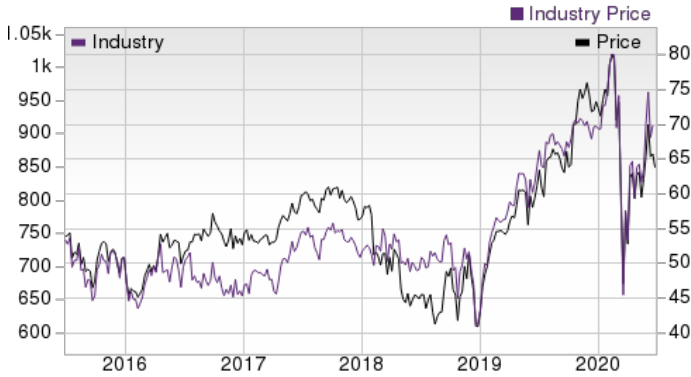
Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$68 price target reflects 13.05X Forward 12-month earnings.

The table below shows summary valuation data for CCK:

Valuation Multiples - CCK					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.5	18.21	21.25	21.87
	5-Year High	14.56	19.8	21.25	22.14
	5-Year Low	7.02	12.02	12.55	15.25
	5-Year Median	12.8	16.23	16.74	17.52
P/S F12M	Current	0.76	1.37	2.70	3.42
	5-Year High	0.98	1.5	2.73	3.44
	5-Year Low	0.45	0.91	1.52	2.53
	5-Year Median	0.78	1.12	2	3.02
EV/EBITDA TTM	Current	9.53	12.25	15.91	11.31
	5-Year High	12.64	16.46	17.45	12.86
	5-Year Low	7.57	8.86	10.72	8.25
	5-Year Median	9.73	11.91	14.86	10.85

As of 06/30/2020

Industry Analysis Zacks Industry Rank: Top 38% (96 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Graphic Packaging Holding Company (GPK)	Outperform	3
Amcort PLC (AMCR)	Neutral	3
Berry Global Group, Inc. (BERY)	Neutral	3
Ball Corporation (BLL)	Neutral	4
Sealed Air Corporation (SEE)	Neutral	3
Silgan Holdings Inc. (SLGN)	Neutral	3
Sonoco Products Company (SON)	Neutral	3
Mobile Mini, Inc. (MINI)	Underperform	2

Industry Comparison Industry: Containers - Metal And Glass				Industry Peers		
	CCK	X Industry	S&P 500	BLL	MINI	SLGN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	4	2	3
VGM Score	C	-	-	D	A	D
Market Cap	8.77 B	6.18 B	21.75 B	22.65 B	1.31 B	3.59 B
# of Analysts	5	6	14	7	3	6
Dividend Yield	0.00%	1.17%	1.93%	0.86%	4.11%	1.48%
Value Score	C	-	-	D	B	C
Cash/Price	0.09	0.06	0.07	0.04	0.01	0.18
EV/EBITDA	10.00	9.54	12.71	18.22	7.17	9.07
PEG Ratio	1.87	2.65	2.86	5.22	1.21	2.69
Price/Book (P/B)	4.30	3.91	2.97	8.38	1.59	3.52
Price/Cash Flow (P/CF)	7.33	7.98	11.71	14.77	8.01	7.96
P/E (F1)	13.10	15.21	21.23	26.10	16.95	13.47
Price/Sales (P/S)	0.75	1.39	2.30	1.97	2.14	0.80
Earnings Yield	7.69%	6.65%	4.48%	3.83%	5.90%	7.41%
Debt/Equity	4.28	2.45	0.76	2.77	0.39	2.13
Cash Flow (\$/share)	8.88	4.39	7.01	4.70	3.68	4.07
Growth Score	D	-	-	D	C	D
Hist. EPS Growth (3-5 yrs)	10.51%	10.57%	10.93%	9.55%	10.63%	11.36%
Proj. EPS Growth (F1/F0)	-1.88%	3.12%	-9.77%	5.25%	-13.86%	11.34%
Curr. Cash Flow Growth	7.40%	6.42%	5.51%	4.20%	13.92%	5.44%
Hist. Cash Flow Growth (3-5 yrs)	12.67%	12.22%	8.62%	13.04%	11.76%	4.92%
Current Ratio	1.31	1.14	1.30	1.06	0.16	1.21
Debt/Capital	81.06%	70.76%	44.41%	73.47%	28.14%	68.06%
Net Margin	4.24%	4.40%	10.62%	4.11%	12.08%	4.56%
Return on Equity	35.65%	26.82%	15.75%	28.11%	11.52%	25.52%
Sales/Assets	0.75	0.72	0.55	0.68	0.29	0.87
Proj. Sales Growth (F1/F0)	-2.68%	-1.26%	-2.43%	0.15%	-10.47%	1.71%
Momentum Score	B	-	-	A	A	C
Daily Price Chg	0.28%	0.94%	1.41%	1.61%	-6.47%	1.95%
1 Week Price Chg	-3.00%	-3.86%	-3.90%	-4.73%	-8.34%	-0.86%
4 Week Price Chg	-3.28%	-3.37%	-1.62%	-3.46%	-13.84%	-0.67%
12 Week Price Chg	15.27%	11.05%	15.67%	5.51%	23.95%	6.83%
52 Week Price Chg	4.63%	1.18%	-8.07%	-2.89%	-2.19%	4.55%
20 Day Average Volume	1,057,832	987,634	2,699,706	1,976,212	917,436	627,799
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	1.56%	0.00%
(F1) EPS Est 12 week change	-6.66%	-7.33%	-10.28%	-8.00%	-22.44%	4.41%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	1.98%	0.00%

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.

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	C
Growth Score	D
Momentum Score	B
VGM Score	C

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.

Disclosures

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