

Ball Corporation NYSE:BALL

FQ3 2025 Earnings Call Transcript

Tuesday, November 4, 2025 4:00 PM GMT

Document includes important disclaimers at the conclusion of transcribed comments.

Table of Contents

Call Participants		3
Presentation		4
Question and Answer		7

Call Participants

EXECUTIVES

Brandon Potthoff
Head of Investor Relations

Daniel J. Rabbitt
Interim Chief Financial Officer

Daniel William Fisher
Chairman & CEO

ANALYSTS

Anthony James Pettinari
Citigroup Inc., Research Division

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

Christopher S. Parkinson
Wolfe Research, LLC

Philip H. Ng
Jefferies LLC, Research Division

Edlain S. Rodriguez
Mizuho Securities USA LLC, Research Division

Stefan Diaz
Morgan Stanley, Research Division

George Leon Staphos
BofA Securities, Research Division

Ghansham Panjabi
Robert W. Baird & Co. Incorporated, Research Division

Jeffrey John Zekauskas
JPMorgan Chase & Co, Research Division

Joshua David Spector
UBS Investment Bank, Research Division

Niccolo Andreas Piccini
Truist Securities, Inc., Research Division

Presentation

Operator

Greetings, and welcome to the Ball Corporation Third Quarter 2025 Earnings Conference Call. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Brandon Potthoff, Head of Investor Relations. Thank you, sir. You may begin.

Brandon Potthoff *Head of Investor Relations*

Thank you, Christine. Good morning, everyone. This is Ball Corporation's conference call regarding the company's third quarter 2025 results. The information provided during this call will contain forward-looking statements. Actual results or outcomes may differ materially from those that may be expressed or implied. We assume no obligation to update any forward-looking statements made today.

Some factors that could cause the results or outcomes to differ are described in the company's latest Form 10-K, our most recent earnings release and Form 8-K and in other company SEC filings as well as company news releases. If you do not already have our earnings release, it is available on our website at ball.com. Information regarding the use of non-GAAP financial measures may also be found in the Notes section of today's earnings release.

In addition, the release includes a summary of non-comparable items as well as reconciliation of comparable net earnings and diluted earnings per share calculations. References to net sales and comparable operating earnings in today's release and call do not include the company's former Aerospace business. Prior year-to-date net earnings attributable to the corporation and comparable net earnings do include the performance of the company's former Aerospace business through the sale date of February 16, 2024. I would now like to turn the call over to our CEO, Dan Fisher.

Daniel William Fisher *Chairman & CEO*

Thank you, Brandon. Today, I'm joined on our call by Dan Rabbitt, SVP and Interim CFO. I will provide some brief introductory remarks and discuss third quarter financial performance. Dan will then touch on key metrics for 2025, and we will finish up with closing comments and Q&A. First, I want to take a minute to highlight the amazing work our employees and teams have done to give back to their communities. During the third quarter, I'm proud to share that Ball employees donated over 7,000 hours of their time across 19 countries in support of 116 charities.

This past September was also our annual Who We Are Month, where we celebrated our unmatched culture and talented people that help us, and our customers navigate complexity and provide innovative solutions that enable us to win. I want to thank all of our employees for devoting time to uplift our communities and participating in Who We Are Month.

I also want to thank all of our employees for our great third quarter business performance. Beverage can volumes grew 4.2% comparable operating earnings increased 5.1% and comparable diluted earnings per share rose 12.1%. In addition, we have now returned \$1.35 billion to shareholders through share repurchases and dividends as of today's call. This strong performance reinforces our opportunity to deliver record comparable diluted earnings per share, record EVA and approach record adjusted free cash flow in 2025, a testament to the strength of our portfolio and disciplined execution. Aluminum packaging continues to outperform other substrates globally, underscoring the resilient and defensive nature of our business. While we remain attentive to uncertainties related to tariffs and consumer pressures, particularly in the U.S., we are confident in our ability to proactively manage these dynamics and sustain our momentum towards delivering 12% to 15% comparable diluted EPS growth. Third quarter comparable net earnings of \$277 million were driven by higher volume and cost management initiatives, partially offset by higher interest expense and lower interest income.

In North and Central America, segment comparable operating earnings increased 3.5%, driven by stronger-than-expected volume performance, though partially offset by product mix headwinds. Mid-single-digit percent volume growth was led by continued strength in energy drinks and nonalcoholic beverages. Our team continues to execute at a high level, successfully meeting elevated demand, navigating the complexities of Section 232 tariffs and mitigating risks in a volatile environment. We remain vigilant in

monitoring the evolving geopolitical landscape and tariff developments, and we are actively managing these dynamics to protect our business and support long-term growth.

In EMEA, third quarter segment volume growth of mid-single-digit percent remained robust, contributing to a 14.8% increase in segment comparable operating earnings. Favorable demand trends continue to reinforce our confidence in delivering meaningful year-over-year growth in 2025. This outlook is supported by sustained volume momentum and ongoing operational efficiency, which position us well to capitalize on market opportunities and drive continued performance improvement.

In South America, segment comparable operating earnings increased 2.6% as mid-single-digit percent volume growth was supported by strong performance in Argentina. While the Brazilian market came in slightly below our initial expectations due to weather-related softness, we anticipate a recovery in the fourth quarter as conditions normalize. Our teams across the region continue to execute well, positioning us for sustained momentum.

We delivered a strong first 9 months of 2025, positioning us well to achieve our full year objectives. While important work remains in the fourth quarter, our teams are fully engaged, navigating ongoing uncertainties with discipline and leveraging the strength and resilience of our global portfolio. We remain laser-focused on our goal of delivering 12% to 15% comparable diluted EPS growth for the year. Despite external challenges, we are confident in our team's proven ability to execute effectively and deliver meaningful value to shareholders.

We anticipate 2025 global volume growth to end above the long-term 2% to 3% range and expect all of our reportable segment businesses to perform in line with or ahead of our long-term targets in 2025. This reflects the durability of our underlying global demand, the strength of our customer relationships in addition to the operational consistency of our teams across markets.

In EMEA, we continue to expect mid-single-digit volume growth in 2025 as the competitive advantages of aluminum packaging and low can penetration rates continue to drive share gains across the region.

In South America, recovery in both Argentina and Chile has progressed in line with our expectations. While Brazil experienced some softness earlier in the year, we anticipate a recovery in the fourth quarter. As a result, we now expect full year 2025 volume growth across the region to fall within our long-term range of 4% to 6%. Our teams remain focused on execution and are well positioned to capture growth as market conditions stabilize.

In our North American business, stronger-than-expected volume growth across nonalcoholic categories, particularly energy drinks, give us confidence that we will exceed the top end of our long-term 1% to 3% volume growth range in 2025. We remain confident in our ability to grow volumes slightly ahead of the market. The defensive nature of our portfolio, combined with strong customer alignment positions us well to navigate potential economic uncertainty and continue delivering consistent performance. With that, I'll turn it over to Dan to talk about key metrics for 2025.

Daniel J. Rabbitt
Interim Chief Financial Officer

Good morning, and thank you, Dan. We anticipate year-end 2025 net debt to comparable EBITDA to be slightly above 2.75x, and we will repurchase at least \$1.3 billion of shares in 2025. Through today's call, we have already purchased \$1.2 billion of shares year-to-date. CapEx is expected to be below D&A in 2025. We anticipate being able to deliver on our target of adjusted free cash flow in the range of comparable net earnings in 2025. Relative to the estimated tax payments due on the aerospace sale, we expect the remaining portion to be paid in the fourth quarter of 2025.

Our 2025 full year effective tax rate on comparable earnings is expected to be slightly above 22%, largely driven by lower year-over-year tax credits. Full year 2025 interest expense is now expected to be in the range of \$320 million. Full year 2025 reported adjustable corporate undistributed costs recorded in other non-reportable are expected to be in the range of \$150 million. And last week, Ball's Board declared its quarterly cash dividend.

We remain focused on driving operational excellence, sharpening cost discipline and unlocking productivity across our global footprint. Our teams are actively adapting to shifting conditions in emerging markets and broader geopolitical developments, maintaining agility and responsiveness in an increasingly dynamic environment. This proactive approach continues to support our ability to deliver consistent performance and long-term value.

Our business model remains resilient and well positioned to weather external volatility, supported by the proactive steps we've taken to strengthen our balance sheet and enhance financial flexibility. With a solid foundation and clear visibility into our path forward, we are executing on initiatives designed to deliver sustainable high-quality results. We remain focused on driving long-term creation for shareholders through consistent performance and disciplined decision-making. With that, I'll turn it back to Dan.

Daniel William Fisher
Chairman & CEO

Thanks, Dan. Our business continues to perform well, fueled by strong demand across our global network. Tight capacity conditions highlight the importance of operational precision and reliability in meeting customer expectations. Thanks to the agility and dedication of our teams, we remain on track to achieve our financial goals for the year, including 12% to 15% comparable diluted EPS growth, record EVA dollar generation, adjusted free cash flow aligned with comparable net earnings and significant capital returns through robust share repurchases and dividend.

While external volatility persists, particularly around geopolitical developments and market dynamics, our resilient business model and proactive footprint optimization continue to position us well. Long-term contracts and disciplined financial management further strengthen our ability to deliver consistent high-quality results. This year has been a testament to the grit, talent and relentless focus of our team.

We put in the work, and now we're seeing that effort translate into real momentum across the business. We're not just competing, we're winning, and we're just getting started. Our commitment to delivering longer-term shareholder value remains unwavering, driven by volume, operating earnings, free cash flow and EVA growth. The foundation is strong, the strategy is working, and the future is ours to shape. Thank you. And with that, Christine, we are ready for questions.

Question and Answer

Operator

Our first question comes from the line of Ghansham Panjabi with Baird.

Ghansham Panjabi

Robert W. Baird & Co. Incorporated, Research Division

So I guess starting off with Beverage, NCA segment. Obviously, 2Q, you called out some operational inefficiencies just given the nature of which categories grew that quarter, et cetera. Dan, how does that dynamic play out for 3Q? Because it looks like operating profit is a little bit better on basically comparable volume growth, but the operating profit is -- the operating leverage is still quite a bit below historical norms. So just your thoughts there would be helpful.

Daniel William Fisher

Chairman & CEO

Yes, I appreciate the question. Ghansham, we remain encouraged by the underlying market momentum as cans are continuing to win on a multipack value in at-home consumption, similar to last quarter, as you've already indicated. In the third quarter, we saw continued customer and pack size mix shift toward lower-margin categories, and that was driven by market trends as well as our deliberate choices to align with the fastest-growing brands and continue to future-proof our North America business.

So to your point, we grew NCA volume mid-single digits, operating earnings 4% year-over-year. We continue to see strength in terms of volume growth, and we'll be able to navigate a more efficient future as our Millersburg, Oregon facility comes online in the second half of next year. But all total, the profit per can from -- since 2019 in our North America business has grown 32%. So we like the profitability levels. We'd wish operating leverage was just a bit higher, but we're still on a journey to continue to improve that. And the business is in a really good spot. And you want to have the volume so you can step into a more efficient footprint and supply chain pattern moving forward.

Ghansham Panjabi

Robert W. Baird & Co. Incorporated, Research Division

Okay. And then I know it's difficult to predict volumes in this operating environment 3 months out, let alone in a year out, but comparisons are going to get more difficult for that segment in 2026. Relative to the industry volumes for 2026, would you be at least in line with the industry? Or how should we think about that dynamic for next year?

Daniel William Fisher

Chairman & CEO

I would say yes to that. Right now, our current focus, as you can imagine, is finishing out a really strong 2025 and continuing the earnings momentum we were able to report in Q3. As it relates to 2026, it's early in our strategic planning process, probably to provide real granular guidance. Next 4 to 6 weeks will be indicative of what the more detailed prognostication will be for us. But we're confident in our ability to continue to grow our global volumes in line with long-term expectations.

We'll grow earnings, we'll grow EPS, and you can expect us to continue to -- our robust share buyback program. So those are kind of the highlights for '26 and more to come here in the next probably 4 to 6 weeks. But North America, we're keeping an eye on that. We'll be in line with the market, if not ahead of it, and then certainly ahead in '27 and potentially '28 as we look here today.

Operator

Our next question comes from the line of George Staphos with Bank of America.

George Leon Staphos

BofA Securities, Research Division

Congratulations on the progress. Question for you, recognizing we're ultimately not going to be able to hold you to any of this per se. But how do you think tariff situations right now and aluminum strategies are affecting volume patterns and what it can mean for next year? And then we can cover world peace, if you'd like after that. But all thing aside, do you think there's been any sort of loading of volume into the market ahead of tariffs? Or what else are your customers doing into next year? Relatedly, I don't think there's going to

be any move on 232, but if there was a reversal on tariffs, if any of these are challenged, does that make life better or just complicates things? And I had a couple of follow-ons.

Daniel William Fisher
Chairman & CEO

Yes. I think movement on tariffs -- kind of tying your second question to the first question. We'll make it easier on demand. I would say we're passing through about a 25% to 30% price increase to our customers right now. It's negligible in terms of per can price, but that's what's being passed through now in North America, in particular, when you talk about October and then subsequently January price increases, we'll have that impact in it. So a reversal of that will be a healthy COGS move for our customers.

Difficult to see the demand impact as we're still running -- our mix has something to do with it. Our favorable customer portfolio has something to do with that. We're winning disproportionately in the market on the backs of some very, very good strategic partners. They're navigating it well. We're helping them navigate it. I do think when you hear demand challenges, you'll hear them specifically from our customers, and they will be tied to probably an ethnic backdrop, ICE impacts.

And so I don't see that specifically in our can volume, which is a positive because cans are up, but it has to be impacting elements of the substrate and the ability for that end consumer to consume products via the same channels that they had historically. I think we're winning to some extent in that. Now whether that continues -- to your point, I've got a better answer on World peace. But yes, it's still -- there's still some question marks, but I just am really pleased with our team, our performance, and we'll continue to grow despite these challenges. And in some instances, they're helpful to us.

George Leon Staphos
BofA Securities, Research Division

Related to pack mix, a couple of questions and then I'll turn it over. Are you seeing -- and the broader question is, are you seeing any signs -- it doesn't sound like it that your customers are maybe contemplating moves to nonaluminum packaging because of costs. We hear that from other substrates. Might we see a little bit more of it perhaps in South America with a move to refillable glass.

What are your thoughts on that, whether that's a real threat or really not at all? Any move at all? I don't think so from the scanner data, but anything in terms of 2-liter in North America? And related and last, and I'll stop, one of your larger customers is promoting, it sounds like mini cans in convenience store. Any pickup -- anything you could share there in terms of what it means for you next year?

Daniel William Fisher
Chairman & CEO

Thank you, George. I think the first part is I have asked that question at the very highest levels of our strategic relationship, and they say, the only thing I can tell you George is cans are going to continue to grow. What can size, I can't tell you, what channel I can't tell you, but they're going to continue to grow. We're going to use cans. We haven't seen the returnable glass shift in South America. But usually, that's driven from an inflationary market dynamic. It's been more cold weather, but there certainly is a bit of inflation in Brazil in particular. So we're keeping our eyes on that.

But as you transition into '26, you've also got an election and a World Cup. And usually on both of those instances, cans do really well. So I think we may be protected for a period of time. And then lastly, yes, we're very aware of what's been said publicly. I think all of our CSD players that are in the 7.5-ounce format are pushing that. That's a value proposition both for the end consumer and for them.

And I think this is just another application of using the 7.5-ounce can for price point, which says a lot about where the end consumer is in terms of the size of their grocery basket, et cetera. And the can works really well on small sizes. And so we're excited about the opportunity. I don't know how big it will be, but it should be an incremental lift to us, both from them and then the knock-on effect from their competitors.

Operator

Our next question comes from the line of Stefan Diaz with Morgan Stanley.

Stefan Diaz
Morgan Stanley, Research Division

So I guess maybe just to start, there's been some discussion regarding contract movements potentially impacting next year by your peers in North America. Do you see any potential shifts impacting your volume performance in 2026 in the region?

Daniel William Fisher
Chairman & CEO

Short answer, no. This is as strong a contractual outlook as I've seen for us in the 15 years I've been at Ball. There have been some movements. In many instances, we benefited from those movements and '27 will benefit further. For us, we're a bit hamstrung on growth in 2026 until we get our Millersburg facility up. So it will be tight for us, but we appear to be full. And that's the plan we're operating against right now.

Stefan Diaz
Morgan Stanley, Research Division

Okay. Great. That's helpful. And maybe just sticking with the Oregon plant. Can you remind us of what volume impact this will have in 2026 or not really because I believe you were maybe shipping those cans from elsewhere? And then secondly, how should we think about the potential margin lift when that plant gets up the learning curve or at least starts to open, I guess, in the second half of 2026. And then balancing that with a potential Mexico headwind because I know you're shipping cans from there. I guess, how should we think about those puts and takes?

Daniel William Fisher
Chairman & CEO

Yes. We'll get -- we're working through a number of plans at the moment that will -- on the Mexico piece, excuse me, that will help to clear kind of direction of flight on any supply chain changes that we need to do. That will be a transient movement in between '26 and '27. And then for Millersburg, you should say, I would contemplate \$1.5 billion of improved volume in '27, somewhere in that range, which could be as much as 3%. And that's going to be unlocked from really a very tight portfolio in the western half of the U.S. in Texas, in Mexico, in the Southwest, as you know.

And so we'll be able to step into some contracted volume into '27 and then properly supply our customers in the Northwest from the most efficient supply point. So you'll have a little bit of start-up costs in '26. You'll recover that and then you'll margin on top of that. So you'll see -- I think we'll return to record can profitability and improved can profitability in '27, even off of what we have today.

Operator

Our next question comes from the line of Michael Roxland with Truist.

Niccolo Andreas Piccini
Truist Securities, Inc., Research Division

This is Nico Piccini on for Mike. I just wanted to dial in kind of on 4Q and maybe dig deeper into the volume trends you're seeing or expecting by category in North America? And then any commentary on promotional activity? And if you can give a read on October month -- sorry, October and then November month-to-date volumes.

Daniel William Fisher
Chairman & CEO

Sure. So in 3Q, I think everyone on this call probably receives the scanner data, we do as well. So I won't spend time going through the category-specific data. But what we see in our customers across categories continue to promote and lean on multipack value and the cans are winning against other substrates in that environment. And I would say for the balance of the year, please refer back to the script, but we expect at a global level to be above the 2% to 3% growth rate. And by region, North America will be above the 1% to 3%.

So you can kind of reverse engineer the fourth quarter. EMEA has the possibility to be at the top end of its 3% to 5%. So we're expecting that top end. And then the range in South America will be in that 4% to 6% long-term range. So you can reverse engineer in that fourth quarter. But October, it's in line with our expectations at this point. There were some price increases that were taken by our customers in October. They were also offset with some traditional promotional activity in terms of buy 2, get 1 free. So the blended price is not representative of the full price that was taken on the retail shelves.

And I think that somewhat insulated us. And then for Europe and for North America historically, it's -- December is kind of where the plus and minus is. So we get through football season in football season in North America. We get through football season in Europe before they take a break. And then it's about, as they describe it in the U.K., the silly season and then around the holidays and then how the Santa cans perform and things of that nature. But what we're hearing from our customers at this point and what we're seeing in October, we're encouraged that we'll land the year in line with our current expectations.

Niccolo Andreas Piccini

Truist Securities, Inc., Research Division

Got it. And then just one quick follow-up for me. As you've owned Florida Can and brought that production there up, have you been able to unlock any additional capacity at that plant specifically?

Daniel William Fisher

Chairman & CEO

Yes. And we're needing it to manage through some of the tariff supply chain challenges, but that plant is performing in line with our expectations. And next year, we'll be stepping into even more volume and unlocking even more opportunities there. So that's been a really good deal for us thus far.

Operator

Our next question comes from the line of Anthony Pettinari with...

Anthony James Pettinari

Citigroup Inc., Research Division

Looking to 2026, understanding you're not giving like precise guidance, but are there any kind of directional about CapEx? And any kind of additional color on the Oregon plant? And I think the North Carolina plant, which I don't know if you broke ground on, but there were some new stories about that maybe in December. Any details there?

Daniel William Fisher

Chairman & CEO

Yes. Great. I'll let Dan comment on early indications of CapEx. But for the Oregon plant, still on time to come up in the second half of the year. So we're encouraged about that progress, and that will unlock a much more efficient supply chain. Obviously, you got to hire the people and stand up the facility. And so there's traditional start-up costs, but that bridges to a really healthy 2027 for us on a number of fronts. Concord is something that we had a ribbon-cutting ceremony with our -- one of our large strategic customers, but that's a way out in terms of actually capital in the ground and potential start-up.

And that will ebb and flow with what's happening in the market. We're not the gating factor for being able to run additional production for them. We've got opportunities to do short-term smaller investments. But if they continue to grow at the rate they have, we'll be very excited to put that -- put a shovel in the ground and build that facility. So those are our plans right now for that.

Daniel J. Rabbitt

Interim Chief Financial Officer

Yes. And this is the other, Dan. A little more about the CapEx. With this year and last year being below CapEx, below the depreciation levels, it's still real early for us to be able to call next year, but we'd be guiding you a little more in line with depreciation or even slightly above, thinking about depreciation as a long-term average for our CapEx. But take it as its early days on our budget for next year.

Anthony James Pettinari

Citigroup Inc., Research Division

Okay. That's very helpful. A follow-up on North America. I think last quarter, you talked about \$1 million operating cost headwind, and I think that was [indiscernible] can tariffs, maybe mix was a part of that. Did that repeat or step down in 3Q? Or is that kind of over with? Or I'm just curious how that operating cost sort of headwind maybe 2Q to 3Q, maybe to 4Q.

Daniel William Fisher

Chairman & CEO

Yes. You should assume that we're continuing to manage through like-for-like inefficiencies from tariffs, but we're past the inefficiencies in terms of the suddenness of the volume. The tariffs are still ongoing, and we're managing through those. And more to come on that as we evaluate long-term supply chain dynamics and what's the best and optimal footprint for us.

Operator

Our next question comes from the line of Phil Ng with Jefferies.

Philip H. Ng
Jefferies LLC, Research Division

One more question on North America. Great to see volume has been strong and mix has been a modest drag just as you optimize that portfolio. When we think about '26, are you going to be in a pretty good spot, Dan, where mix is more neutral as we think about that going forward? And then some of the cost headwinds and inefficiencies that have weighed on operating leverage in North America. Should we see -- should we expect that to get back to more normal next year or still going to be kind of a work in progress?

Daniel William Fisher
Chairman & CEO

A much smaller work in progress relative to some of the mix shift. We will have the start-up of the facility in -- sorry, Oregon. I was back to Ohio. It -- didn't have my readers, I'm reading the OH versus the OR. And then -- yes, let's see what we need to do as it relates to managing the underlying inefficiencies from the tariffs that we've been dealing with this year. '27 will be -- anything that has to be managed will be transient in '26, including the start-up of the facility and how we deal with ongoing underlying tariff impacts. And so we're really doing all the right things and setting ourselves up for a really nice short- and medium-term outlook.

Philip H. Ng
Jefferies LLC, Research Division

Yes. On that note, Dan, I mean, it sounds like you won business in '27, '28 in North America, which is great. And you commented on potentially record can -- profitability per can for '27, which is exciting. Are most of those levers more on the cost and efficiency side? Or we should expect perhaps a better pricing environment just given how supply demand and just volumes have actually inflected pretty nicely in the last 12 months?

Daniel William Fisher
Chairman & CEO

Yes. The market is tight, Phil. I think you're right. You should see an elongated improvement in underlying economics of the business that I think the industry will benefit from. And for us, in particular, the things that we've been able to manage via the operating model changes, the operating earnings construction, the inefficiencies of just a better performing manufacturing environment.

And we're kind of early days even with AI technology deploying, and there's a number of applications, both commercially with AI and secondarily within supply chain and in our plants and operating our plants more efficiently through technology. So there's room for margin improvement, and it doesn't have to come on the backs of our customers. It can just come through improved performance. And I'm encouraged about that. Yes.

Philip H. Ng
Jefferies LLC, Research Division

And just to sneak one in for the other, Dan. How should we think about capital deployment when we think about 2026? Obviously, you guys have done a phenomenal job in returning cash back to shareholders. Is that going to be the focus still? Or could M&A be an opportunity, at least there's some chatter about Europe was the market you guys are at least taking a look at. So kind of help us think through medium to long term, how you going to deploy that excess cash?

Daniel J. Rabbitt
Interim Chief Financial Officer

Yes. I think notably, you're going to see the -- on the share repurchase, not to be at the same levels because through this year, we will have bought back over \$3 billion worth of shares. That's a path to being private, if you think about it. So we'll moderate back into probably some of our historical averages, which you might have seen in the past. That's still being worked out on exact numbers. But we're going to continue to carry a conservative balance sheet, and we're going to be wise on how we spend the capital. So really this is -- this is really how we've always managed the business, looking at those 3 levers and trying to do the right thing to get the returns -- the right return for our shareholders.

Daniel William Fisher
Chairman & CEO

And Phil, it's a -- I would say it's a yes and on those 2 questions. So stay tuned.

Operator

Our next question comes from the line of Jeff Zekauskas with JPMorgan.

Jeffrey John Zekauskas
JPMorgan Chase & Co, Research Division

Your inventories year-over-year are up around \$500 million. I take it that's higher aluminum costs. Should your inventories continue to rise into the fourth quarter as aluminum values have lifted?

Daniel William Fisher
Chairman & CEO

It's a combination of both. Great question. As you know, we didn't have the right inventory mix in the third quarter last year, specifically in South America in terms of unit volume and days, I think we've added a few days to make sure that we're fit for purpose of what our customers need. We've had a couple of customers even within our portfolio that are really outpacing what they expected at the beginning of the year, have had some really good market trends.

So we want to make sure we're ready for that and managing that more appropriately. I'd say the 2 to 3 days is a better reflection of a healthy level of inventory. And then your other question is probably 50%, 60% is the increased aluminum value and aluminum costs. So I'd say 2/3, 1/3, but that's how I would construct it.

Daniel J. Rabbitt
Interim Chief Financial Officer

And I think we might add that this is some terrific volume growth, too, that we've come into, especially here in the United States, too, that has a role in this, too.

Jeffrey John Zekauskas
JPMorgan Chase & Co, Research Division

Also in the -- in your financials, it said that you purchased an investment linked to the common stock of ORG Technology. You bought -- you have a \$47 million investment. What is ORG Technology? And why do you own it? And what exactly do you own?

Daniel J. Rabbitt
Interim Chief Financial Officer

Yes. You're referring to one of the notes in the release. And ORG Technology is the party who just acquired the controlling stake from our Saudi Arabian joint beverage can joint venture. And we have a long history and a good strategic relationship with them that dates back to the year 2018 when they bought our beverage can business and probably not too many people were at that earnings call, but we had, at that time, announced that we would be putting some investment into their company. They are the largest beverage can producer in China, and they are traded publicly. So it's a small stake in their public company for an important strategic relationship for us.

Daniel William Fisher
Chairman & CEO

And Jeff, I think you would anticipate that there's a number of strategic elements to that investment. So more to come on that.

Operator

Our next question comes from the line of Chris Parkinson with Wolfe Research.

Christopher S. Parkinson
Wolfe Research, LLC

You mentioned in the last calls -- you mentioned a few times in the last 2 earnings calls just about mix. And I understand there are a lot of moving parts. I mean there's big beer versus craft beer. There's new CSD contracts. There're obviously some logistical things in terms of a large energy customer. But what -- approximately what quarter in 2026 do you think that's roughly going to normalize in terms of improving the Street's ability to better project volume versus operating leverage in your NCA business?

Daniel William Fisher
Chairman & CEO

It will be much cleaner in '27 when we have a little bit more capacity. So capacity is one component of the difficulty to predict leverage fall through. The second one is just the trend -- the shift into higher growth customers, higher growth categories. And we're through 80% of that at this point for the next 3 years. So not a great deal of additional change in terms of our mix. But the navigating an incredibly tight, I think we'll be at 99% asset utilization next year.

So how you're delivering on spikes and declines of volume line by line, SKU by SKU, that's going to be difficult for us to manage the traditional flow-through. I think what you're seeing counter to that just in a corollary is we put in excess capacity, growing into a growing market in Europe, much easier to flow through operational leverage at a more traditional rate when you've got that and you're not having to manage things kind of hand to mouth. So looking forward to having a little bit more capacity in the right locations in 2027.

Christopher S. Parkinson
Wolfe Research, LLC

So that actually leads me to my second question on Europe. I don't know if we've explicitly hit this on the call, but growing into a growing market, I mean what's your kind of latest and greatest assessment based on what you're hearing from your customers in terms of the outlook for '27, '28 in terms of the need or perhaps it's already accounted for additional supply capacity in Europe in particular?

Daniel William Fisher
Chairman & CEO

Yes. Europe is -- and I think you're hearing it from a lot of our competitors as well and our customers. For the can, it's a land of opportunity. And it is because it still has heavy glass substrate composition. And glass has got a really bad carbon footprint. And so there's investments away from glass. The cans preferred. Europe is not Europe, obviously, it's not homogenous. So depending on what the markets are, will depend on what the can size is, depending on is it a vacation spot like Southern Europe is, which is more seasonal. I think all of these factors weigh into what's the right capacity and where.

And obviously, it's a much more discerning investment in that market for all of us given the labor laws, the Works Council and the challenge to garner environmental permitting, et cetera. So it's a -- if you endeavor to build there, it's much more difficult, much more specific, much more thoughtful approach that you have to take in those markets. And it's -- I'm very encouraged about the capital we've deployed there and the benefits we've gotten. And as we continue to do that, it's -- you have to be methodical about it for sure.

Operator

Our next question comes from the line of Edlain Rodriguez with Mizuho.

Edlain S. Rodriguez
Mizuho Securities USA LLC, Research Division

Dan, a quick one for you. I mean you've addressed most of the key issues. So one quick one here. As you look at all the puts and takes in the different regions and so forth, like what worries you the most. Like what do you see as under your control? And what do you see is like things you cannot control? Yes, like what worries you the most as you get into the next year and year after that.

Daniel William Fisher
Chairman & CEO

Little worries me at this point. I say this with the greatest of respect for the team that I am managing and working with. We have hit a number of outsized challenges here over the last 3 or 4 years that really no one in our industry has had to deal with. No one had to deal with Russia. No one had to deal with the marketing issue in the light beer category. No one had a business in Argentina. So the team has masterfully gone through that, and we've stood up a new operating model and not to mention what's happened here recently with the trade challenges.

But certainly, 5, 80-year-olds controlling the majority of the largest economies in the world and what they want to do tomorrow, that's -- I can't spend a whole lot of time deliberating that and what the what-ifs are. But trusting and leaning in on our team, making sure that they have the energy, and they believe we're winning and that we have a winning formula. That's where I'm spending the most of my time. But I appreciate the question.

Edlain S. Rodriguez
Mizuho Securities USA LLC, Research Division

No. So that says. So as you look at your stock price kind of been under pressure. So when you look at capital allocation, are you looking like in terms of share buyback more opportunistically or trying to be more aggressive? Like what are you thinking there in terms of the disconnect between what you think you can deliver and what the stock is reflecting?

Daniel William Fisher
Chairman & CEO

Well, we think we're very cheap. I think we believe that looking at our 5-year outlook, looking at our plans, looking at the historical valuation of this company, looking at how we're performing and winning in virtually every single capacity. So we're -- I'd say we're not -- we're opportunistic in the sense that we think we're cheap, but we're going to be very deliberate in returning value to shareholders. When we're at our best, we return value to our shareholders in a consistent manner. And as long as I see a really positive and constructive outlook, we'll continue to keep the foot on the gas in terms of the share buyback.

Operator

Our next question comes from the line of Arun Viswanathan with RBC.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

Congrats on a strong quarter here and outlook. So I guess my first question, maybe I could just ask about the categories. So in North America this year, I think we're categorized or characterized by a very strong energy market, somewhat off of easy comps, but also, I think the consumer has pivoted that way to get maybe caffeine at a lower rate than coffee. But maybe some other dynamics playing in there. Do you see energy continuing to grow next year at a similar pace on tougher comps?

And similarly, I guess, beer was relatively weak. However, you've managed through it with your very strong CSD position. So maybe you can just comment on how the categories look to you as you -- you've already said some new contracts up to '27, '28. But in '26, do you expect continued low single-digit growth? And maybe you can just provide some thoughts by category.

Daniel William Fisher
Chairman & CEO

Yes. I think your characterization of the categories is right. I think the other thing that is -- needs to be impressed upon, I think, the broader audience is there are very aggressive innovations happening now in a number of areas that would be a little bit more challenging to define, but health and wellness is certainly promoting. I think there's protein going into everything these days. So I think that market is untapped. But we're connected to a lot of folks that we think are going to win disproportionately moving forward, and they're going to be in cans.

But the non-alc 52 weeks, it's grown 4.8%. Alcohol has declined at 2.5%. We have plans to help everyone win in their categories in their preferred brand. There's a lot of can innovation happening. So all of that's going to be required to help all of our customers win. And then there's a lot of disruption that's coming in terms of innovation that we're excited about. So folks that are beverage companies are going to figure it out.

And that's where we've also been repositioning some of our portfolio to make sure that we're winning disproportionately on favored mix and winning with the winners. So '26 is what your question, '26 for us is we're very, very tight. And we've bridged higher growth into the contract construction into '27 and beyond to make sure that we can stand up a facility in the Northwest in Oregon. And so we'll grow in line with what we believe the market, at least the low end of the market. And then we'll -- you'll see fundamental step change where we'll outpace the market in '27, '28 and beyond potentially.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

Great. And so I guess what I'm hearing is the main issues that you're contemplating are just around complexity and maybe execution. And would there be any issues on metal supply that we should consider, maybe whether it's logistics and getting metal in the right places or imports or supply chain? Or have you already addressed those as well?

Daniel William Fisher
Chairman & CEO

Yes. Overwhelmingly, we've addressed those. There was some media coverage on one of our suppliers that I believe supplies 8% of the can sheet in the North American market. They're overwhelming automotive supply base. So that was something that was managed

very effectively. Yes, we continue to not have enough aluminum in the U.S., processed aluminum, aluminum can sheet, but that's something we've been dealing with for multiple years now. And 232 hasn't presented much more in terms of supply chain challenges.

And then we have both Novelis and SDI that's going to be standing up a new facility here in the next few years. So medium, long term, we're in great shape. Short term, we're all navigating kind of disillusionment of NAFTA supply chain, but we're -- the team is doing a great job. And we may have to do some things in our footprint to navigate much more efficiently, but you're talking about low capital throws and just optimizing what's in front of you. We do that all the time, but this one would be directly connected to the tariff scenarios.

Daniel J. Rabbitt
Interim Chief Financial Officer

For metal, we feel pretty good, though, where we are.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

And apologies if I missed this, but did you call out any special cash items for next year? I know CapEx you addressed, but was there anything on working capital or cash tax or minority interest or anything else that would drag cash flow? Or any thoughts on what your conversion from EBITDA or net income would be?

Daniel J. Rabbitt
Interim Chief Financial Officer

No. We really have nothing to report right now at this time. But I think we think the trends should continue into next year for the most part.

Operator

Our final question comes from the line of Josh Spector with UBS.

Joshua David Spector
UBS Investment Bank, Research Division

Just first, a quick follow-up. Just on the Novelis outage and the aluminum supply. Did that have any impact on you guys in 3Q or 4Q volumes or cost expectations?

Daniel William Fisher
Chairman & CEO

No, it didn't.

Joshua David Spector
UBS Investment Bank, Research Division

That is clear enough. Secondly, I just wanted to ask more broadly on consumer elasticities here as you're thinking about inflation for carbonated soft drinks and beer, do you have any latest view around kind of what the sensitivity would be when consumers start to see the impact of higher prices next year or potentially the risk of?

Daniel William Fisher
Chairman & CEO

Yes. I'm actually more encouraged. Then I think the press clippings are -- just from this standpoint, we've been talking about a weekend consumer for 3 years. I mean, it's been -- grocery baskets have been getting smaller for 3 years. So this is nothing new to what we've been dealing with and what our customers have been dealing with. And if you look at the most recent -- what's different, and I think this is why I'm encouraged, when you look at what people are saying they're going to spend their money on, they're going to spend their money on food and beverages. They're not going to travel. They're not going to buy a large capital spend. It's all geared toward the things that we make.

So the concentration, the effort and the dollars that are being spent in people's budgets and in their mental framework is going to us, whereas the last 2 to 3 years, we were still competing with vacations and other things, but that's not what we're competing with now.

So I think that would signal to you that the pricing has clicked into a place where they have to focus on putting food on the table above everything else, and that's usually a good spot for us.

Yes, I want to thank everybody for the questions today, and I hope you have a wonderful holiday season and look forward to reporting back out full year numbers and a deeper dive into '26 here in short order. Thank you.

Operator

Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.

Forward-Looking Statement

This transcript contains "forward-looking" statements concerning future events and financial performance. Words such as "expects," "anticipates," "estimates," "will," "believe," "continue," "goal" and similar expressions typically identify forward looking statements, which are generally any statements other than statements of historical fact. For example, the forward-looking statements in this news release include statements relating to our plans, strategies, objectives, commitments and guidance. Such statements are based on current expectations or views of the future and are subject to risks and uncertainties, which could cause actual results or events to differ materially from those expressed or implied. You should therefore not place undue reliance upon any forward-looking statements, and they should be read in conjunction with, and qualified in their entirety by, the cautionary statements referenced below. Ball undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Key factors, risks and uncertainties that could cause actual outcomes and results to be different are summarized in filings with the Securities and Exchange Commission, including Exhibit 99 in Ball's Form 10-K, which are available on Ball's website and at www.sec.gov. Additional factors that might affect: a) Ball's packaging segments include product capacity, supply, and demand constraints and fluctuations and changes in consumption patterns; availability/cost of raw materials, equipment, and logistics; competitive packaging, pricing and substitution; changes in climate and weather and related events such as drought, wildfires, storms, hurricanes, tornadoes and floods; footprint adjustments and other manufacturing changes, including the opening and closing of facilities and lines; failure to achieve synergies, productivity improvements or cost reductions; unfavorable mandatory deposit or packaging laws; customer and supplier consolidation; power and supply chain interruptions; changes in major customer or supplier contracts or loss of a major customer or supplier; inability to pass-through increased costs; war, political instability and sanctions, including relating to the situation in Russia and Ukraine and its impact on Ball's supply chain and its ability to operate in Europe, the Middle East and Africa regions generally; changes in foreign exchange or tax rates; and tariffs, trade actions, or other governmental actions, including business restrictions and orders affecting goods produced by Ball or in its supply chain, including imported raw materials; and b) Ball as a whole include those listed above plus: the extent to which sustainability-related opportunities arise and can be capitalized upon; changes in senior management, succession, and the ability to attract and retain skilled labor; regulatory actions or issues including those related to tax, environmental, social and governance reporting, competition, environmental, health and workplace safety, including U.S. Federal Drug Administration and other actions or public concerns affecting products filled in Ball's containers, or chemicals or substances used in raw materials or in the manufacturing process; technological developments and innovations; the ability to manage cyber threats; litigation; strikes; disease; pandemic; labor cost changes; inflation; rates of return on assets of Ball's defined benefit retirement plans; pension changes; uncertainties surrounding geopolitical events and governmental policies; reduced cash flow; interest rates affecting Ball's debt; successful or unsuccessful joint ventures, acquisitions and divestitures, and their effects on Ball's operating results and business generally.