



Ball Corporation (NYSE: BALL)

Q1 2026 Earnings Call Transcript

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Good morning, everyone. This is Ball Corporation's conference call regarding the company's first quarter 2026 results. During this call, we will reference our first quarter 2026 earnings presentation available through this webcast and on our website at investors/ball.com.

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, other SEC filings, and in today's earnings release and earnings presentation.

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 a reconciliation of comparable net earnings and diluted earnings per share calculations.

I would now like to turn the call over to our CEO, Ron Lewis.



Ron:

Thank you, Brandon.

Today, I am joined on our call by Dan Rabbitt, Senior Vice President and Chief Financial Officer. I will provide some brief introductory remarks and discuss first quarter 2026 financial performance and our outlook for the remainder of 2026. Dan will touch on key metrics and then we will finish up with closing comments and Q & A.



As we begin, I want to start with the big picture, because it continues to matter for how we think about Ball and our long-term value creation.

We believe Ball is positioned to win, and the fundamentals supporting that belief remain firmly in place. Packaged liquid volume is continuing to grow globally, and aluminum cans are taking share as consumers, customers, and retailers increasingly prioritize convenience, performance, and sustainability. That dynamic creates a durable, long runway of demand for our products.

Within that growing market, Ball is executing at a high level. Across our regions, we continue to leverage long-term customer partnerships, a well-contracted portfolio, and an unmatched global footprint. Our utilization levels are strong, reflecting both disciplined capacity management and consistent commercial execution.

We are pairing that execution with financial strength. We delivered solid results to start 2026, supported by a healthy balance sheet and a capital allocation framework grounded in EVA. Our focus remains on deploying capital where it earns returns above our hurdle rate and on continuing momentum as we move through the year.

Operationally, our teams are performing well. Standardization, cost discipline, and the Ball Business System are driving improved profit per can and reinforcing our ability to generate operating leverage as volumes grow. While we are proud of the progress, we continue to see opportunity ahead.

When you bring together attractive industry fundamentals, disciplined execution, financial strength, and an operating system built for continuous improvement, Ball remains exceptionally well positioned, not just for this year, but for the long term.



Our strong start to the year underscores the resilience of our business, particularly in a complex geopolitical and macroeconomic environment.

Our strategy is clear, consistent, and grounded in four strategic pillars, and that strategy is working.

First is executing exceptionally in our core business. That discipline shows up in how we operate every day, across our plants and regions, and it underpins our ability to deliver solid Q1 results in an uncertain world.

Second, we stay close to our customers and maximize our global network. Long-term partnerships, strong service levels, and a well-balanced footprint allow us to respond quickly and reliably.

Third, we continue to accelerate the substrate shift to aluminum and expand categories. Aluminum’s sustainability and performance advantages matter, reinforcing demand and long-term growth opportunities.

And fourth, we manage complexity to our advantage. Our scale, standardization, and systems enable us to remain focused on execution rather than distraction.

The Ball Business System brings these pillars together, connecting commercial excellence, operational excellence, and continuous improvement.

At the center are our people and our culture: low ego, high collaboration, and a shared commitment to doing the right things the right way.

This is what makes our business resilient, supports strong Q1 performance, and positions Ball to continue delivering disciplined execution and long-term value creation, regardless of the external environment.

Our EVA® Focused Strategy Drives Value Creation

30+ Years of Compounding Shareholder Value Committed to our growth algorithm...

**Ball
EVA®**

CASH GENERATORS
CAPITAL ALLOCATORS
EARNINGS GROWERS
EVA DEVOTEES

2-3% Volume Growth	X	2x Operating Leverage	=	10%+	EPS ¹
4-6% Share Count Reduction					

© 2026 Ball Corporation. All rights reserved. ¹EPS represents Comparable Diluted Earnings Per Share which is defined as Comparable Net Earnings, divided by diluted weighted average shares outstanding.

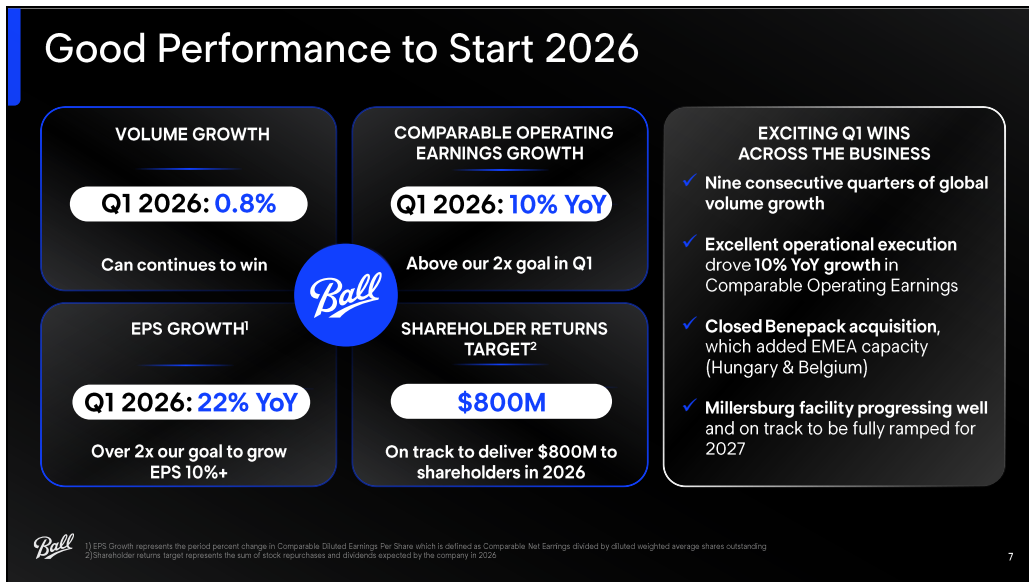
The Ball Business System is how we operate, and EVA remains our North Star.

Together, they drive disciplined execution and capital allocation, enabling us to deliver results.

That discipline showed up in our first-quarter performance. We executed well and stayed focused on the levers we control, earning returns above our cost of capital while maintaining flexibility.

This approach underpins our growth algorithm of 10-plus percent Comparable Diluted EPS growth, strong free cash flow, and consistent returns to shareholders.

The results we delivered this quarter are a direct outcome of this operating and financial discipline, and they set up the discussion on our performance in the quarter.



Turning to our first-quarter performance, we had a good start to 2026.

Global volumes were up nearly 1 percent year over year, reflecting slightly stronger than expected volumes in North America and in-line performance in South America, partially offset by volumes in EMEA.

What stands out is our execution. Comparable operating earnings grew 10 percent year over year, exceeding our two-times operating leverage objective for the quarter.

That performance flowed through to the bottom line, with comparable diluted EPS up 22 percent year over year, driven by strong operational execution, cost discipline, and capital allocation. The first quarter performance reinforces our confidence in delivering 10-plus percent EPS growth for the full year.

We also remained focused on shareholder returns and are on track to deliver in the range of \$800 million dollars to shareholders in 2026.

Operationally, we continued to advance our priorities, including completing the Benepack acquisition to expand EMEA capacity and making good progress at our Millersburg facility, which remains on track toward full ramp in 2027.

Overall, this was a solid first quarter that reflects the resilience of our business, disciplined execution, and the strength of our operating model.

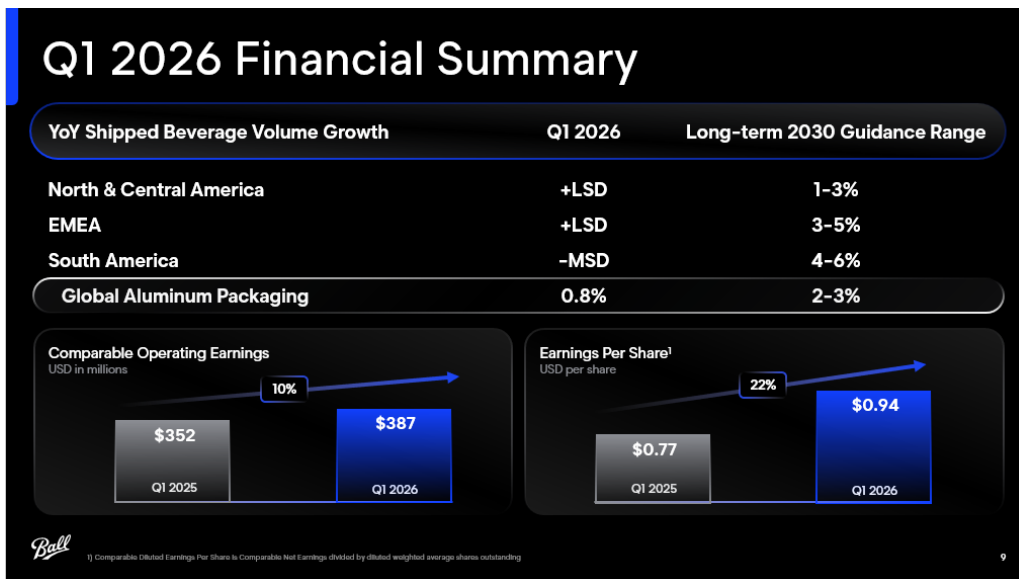
With that outlook in mind, I'll let Dan walk you through the details of our first quarter financial performance and provide more color on our current expectations for 2026.

Over to you, Dan.



Dan:

Thanks Ron.



Before walking through our first-quarter 2026 performance, I want to spend a moment on changes we made to our financial reporting this quarter.

As you saw in the earnings release this morning, we updated how we report our segment financials. As Ron and I stepped into our roles, we took a fresh look at how we measure performance and align accountability across the organization. It became clear that we needed to more clearly distinguish between operating decisions made within the businesses and financing decisions made at the corporate level.

As a result, we amended our definition of Comparable Operating Earnings to exclude items such as factoring fees, interest income, and other impacts driven by corporate financing activity rather than underlying operations. Importantly, these financing-related items remain included in Comparable Net Earnings and Comparable Diluted EPS, so there is not a material change to how we measure or report overall company earnings.

In addition, we moved our beverage can plants in India and Myanmar into the EMEA segment, which has had management and P&L responsibility for those operations for several years.

We believe these changes provide a clearer view of underlying operating performance by segment while continuing to give investors full transparency into our consolidated financial results. And to be clear, these changes do not materially impact Comparable Net Earnings or Comparable Diluted EPS. Additional information can be found in notes of the earnings press release as well as on investors.ball.com under "financial results".

With that context, I'll now walk through our first-quarter 2026 financial performance.

Overall, the business delivered a good start to the year. Global shipped beverage volumes increased approximately 1 percent year over year, low single digit volume growth in North America and EMEA, partially offset by lower volumes in South America.

Despite ongoing geopolitical and macroeconomic events, our teams executed well across the business.

Comparable operating earnings increased 10 percent year over year. That performance translated into comparable diluted earnings per share of 94 cents, up 22 percent year over year. This first quarter performance reflects the strength and resilience of our operating model and is consistent with the financial framework we've laid out for 2026.

In North and Central America, segment comparable operating earnings increased 2.5% percent in the first quarter. Volumes increased low single digit percent year over year, reflecting slightly stronger demand, particularly in energy drinks and non-alcoholic beverages. The team continues to execute at a high level, supporting customers, managing costs, and navigating a dynamic operating environment. As we look to the remainder of 2026, we continue to expect volume growth at the low end of our long-term range of 1 to 3 percent. As previously discussed, we anticipate \$35 million dollars of start-up costs related to the Millersburg facility and US

domestication of ends to begin later this year. While these costs represent a near-term headwind, they support long-term volume growth and operating leverage.

In EMEA, segment comparable operating earnings increased 20% percent in the first quarter. Volumes were up low single digit percent year over year. The team continues to perform well operationally, and during the quarter we completed the Benepack acquisition, further strengthening our European footprint and expanding capacity in Hungary and Belgium. As we integrate these assets, we see meaningful opportunity to drive both volume growth and operating leverage as capacity is filled. For 2026, with the inclusion of Benepack, we continue to expect volume growth above the top end of our long-term 3 to 5 percent range, along with operating leverage of 2x times.

In South America, segment comparable operating earnings were flat in the first quarter. Volumes declined mid-single digit percent year over year, reflecting customer timing and inventory position coming into the quarter. Despite lower volumes, the team remained disciplined on cost and execution, supporting earnings and positioning the business well as growth normalizes in the next three quarters. Looking ahead, we continue to expect volume growth at the low end of our long-term range of 4 to 6 percent in 2026, with operating leverage of 2x times.

2026 Guidance	
Guidance unchanged and on track to grow EPS 10%+ in 2026	
GUIDANCE	
EPS growth ¹	10%+
Free cash flow	\$900M+
OPERATING ASSUMPTIONS	
Effective tax rate	~23.5%
Interest expense	\$320M
Capex	~\$600M (in-line with D&A)
Corporate undistributed costs	~\$175M
Net leverage	~2.7x
Shareholder returns	\$800M target

¹ EPS Growth represents the period percent change in Comparable Diluted Earnings Per Share which is defined as Comparable Net Earnings divided by diluted weighted average shares outstanding

Focusing on modeling details for 2026:

- As Ron noted, with the resilience of our business and our passthrough models, we continue to expect to be on track with our algorithm of 10 percent plus comparable diluted EPS growth
- We anticipate free cash flow of greater than \$900 million dollars in 2026
- Our 2026 full-year effective tax rate on comparable earnings is expected to be slightly above 23 percent
- Full-year 2026 interest expense is expected to be in the range of \$320 million dollars
- CAPEX is expected to be in line with GAAP D&A in 2026
- Full-year 2026 reported adjusted corporate undistributed costs recorded in "other" non-reportable are expected to be in the range of \$175 million dollars
- We anticipate year-end 2026 net debt to comparable EBITDA to be 2.7x, and we will repurchase at least \$600 million dollars of shares which will bring our total capital returned to shareholders to \$800 million dollars in 2026
- And, last week, Ball's Board declared its quarterly cash dividend

With that, I'll turn it back to Ron.

Q1 2026 Highlights	2026 Path Forward
<ul style="list-style-type: none"> ✓ Continued can industry strength across all regions 	<ul style="list-style-type: none"> ➔ Leverage our customer partnerships and footprint to grow in-line with our long-term volume ranges
<ul style="list-style-type: none"> ✓ Grew Comparable Operating Earnings 10% in Q1 2026 	<ul style="list-style-type: none"> ➔ Expect to achieve record Shipped Volume, Comparable Operating Earnings and EPS¹
<ul style="list-style-type: none"> ✓ Grew EPS¹ 22% in Q1 2026, above our long-term commitment to grow EPS¹ 10%+ annually 	<ul style="list-style-type: none"> ➔ Continue to ride the global substrate shift to aluminum, particularly in Europe and energy/innovation-led categories
<ul style="list-style-type: none"> ✓ Closed on EVA-accretive Benepack acquisition in Hungary and Belgium 	<ul style="list-style-type: none"> ➔ Maintain EVA[®] as the core financial lens with disciplined cash returns to shareholders

¹ EPS represents Comparable Diluted Earnings Per Share which is defined as Comparable Net Earnings divided by diluted weighted average shares outstanding

Ron:

Thanks, Dan.

Overall, our strong first quarter results reflect exactly how we intend to run Ball.

Amid ongoing geopolitical and macroeconomic factors, our teams stayed focused on what we control, serving customers, running our operations with discipline, and allocating capital through an EVA lens.

The Ball Business System and our strategic pillars are not theoretical. They are driving resilience in our business and translating into earnings, cash generation, and returns for shareholders.

We had a good start to 2026, and just as importantly, we are executing in a way that reinforces our confidence in the year ahead.

Thank you. And with that, we are ready for questions.

Question and Answer

Operator

[Operator Instructions] Our first question is from George Staphos with Bank of America.

George Leon Staphos

BofA Securities, Research Division

Question for you first. With the performance, are you seeing any effects that you could call out from the Middle East tensions in terms of increased costs that won't necessarily be passed through real time this year, any effects on volume? Particularly as regards to Europe, was there any effect on the segment's volumes related to the conflict that you could call out? And then I had a couple of follow-ons.

Ronald J. Lewis

CEO & Director

George, thanks for the question. Nice to talk to you. From the impact on the Middle East, first, it's important to note that we do not have any direct business in the Middle East. And as a rule of thumb, we maintain supply chains that are as short as possible. So there's no supply assurance impacts either for our business or for our customers.

It is a fact, however, that the cost of all things, commodities that are affected by the conflict in the Middle East, have affected our business like others, especially aluminum. And that's where our resilient business model comes to the fore. The way that our contracts work generally is we pass on the cost of aluminum to our customers on an immediate basis, and then they choose how they will manage that cost impact.

So thus far, the can is winning. The can is winning in every region we operate. And EMEA is no different than that of North America or South America. Our volumes are actually accelerating as we begin the second quarter of the year across all of our businesses, and EMEA is no different from that.

George Leon Staphos

BofA Securities, Research Division

Okay. Appreciate that, Ron. Maybe the related question, did European volume perform as you'd expected? Or were there any one-off factors that might have led to better or worse performance? Related, are there any important contracts qualitatively that we should at least have in the back of our mind that you'll be managing against and to renegotiate for 2027?

And then lastly, with Europe, with the contracts, the last point being we appreciate all the detail you're giving us and the granularity and getting back to basically operating performance within the segments. Are there any other metrics that you would call out that you're using as a guide point or a North Star, to use your term, for the segment in terms of profitability over time beyond the 2x leverage? Good luck in the quarter.

Ronald J. Lewis

CEO & Director

Thanks, George. So any one-offs related to our EMEA volume would be specifically, we purchased the business known as Benepack, the 2 plants, one in Belgium and one in Hungary. And we purchased that from basically the beginning of February. We assumed that we would have it from the beginning of the year. So that probably affected what we had versus what we had planned.

The second thing is, we sold a business in Saudi Arabia called UAC. And that business was reported previously in our other segments, and with the change in our segment reporting, that's now from a comparable perspective, Q1 of last year is reported in our business. So that shows up as a headwind in our business.

Those 2 things probably would have been some one-offs for us. But the core of our Europe business, we believe we're in line with market. We're within our algorithm that we talk about in the 3% to 5% growth, and we feel pretty good about how we started the year there, basically as expected.

You asked about contracts. It gives me a moment to just say that for this year, we are fully contracted. And we actually are volume constrained in North America, as you know, and we have been volume-constrained in Europe because it grew so fast last year as did North America.

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And those 2 things are why we are building a plant in North America and why we acquired the Benepack plants. So we're sold for 2026. For 2027, we're more than 90% sold and out through the end of the decade, we are basically 50% sold.

So no, we don't have any specific contracts that we are concerned about. We've got long-term contracts in place. And that's just the nature of this business, which makes it a wonderful business to be in because we're able to establish some great long-term relationships that help our customers win and win with the can.

As it relates to what metrics we would like to point you to, it would probably be operating earnings per can. And that's why we've had the segment changes that we did. And I'm sure we'll get questions about that as well.

But it's basically we want to have the most transparent, clean way for you all that analyze and comment on us and advise on us. We want you to have the cleanest look you can at us. So operating earnings per can would be the metric that we would point you to.

Operator

Our next question is from Ghansham Panjabi with Baird.

Ghansham Panjabi

Robert W. Baird & Co. Incorporated, Research Division

I guess just picking up on the last question from George. So if I have this right, it looks like 1Q was pretty much in line with your expectations on a volumetric basis, but was really the operating leverage that was quite strong. And if that's accurate, can you just give us the specifics, Ron, on what drove that improvement in operating earnings specific to the first quarter?

Ronald J. Lewis

CEO & Director

Yes. Ghansham, nice to hear your voice. Thanks for the question. I would say, yes, we were largely in line with what we expected from a volume perspective, even with our South America business down year-on-year. We were probably a little bit ahead of what we expected in North America. And we were a little bit behind in EMEA.

And let me just take a moment to talk about volume. While we were down in South America -- well, how did we compare versus the market? We think we were in line with market in North America. We think we were in line with the market in EMEA, and we were obviously below the market in South America given what our competitors have already publicly stated.

As we begin Q2 at an enterprise level, our volumes as we finished April were up mid-single digits. Again, that's as we expected them to be. And importantly, our South America business is up 20% April on April, and that erases all of the declines we saw in Q1, and we're back to flat volume for the year.

So we are very confident in our predictions for how our business will finish on a volume basis for 2026. We expect to finish in our 2% to 3% -- towards the top end of our range of the 2% to 3% volume at enterprise level, and we expect North America to be towards the bottom end of our range because we are capacity constrained.

We expect EMEA to be above the 3% to 5% commitment that we've made because of the inorganic acquisition that we made as well as a business that's performing in line or better with market. And in South America, we expect to still achieve the 4% to 6% volume growth as it relates to our long-term commitment.

Now as for the operating leverage, maybe I'll give Dan Rabbitt a moment to reflect on that for us because I think I want to hear his voice in this meeting, and I think you do, too.

Daniel J. Rabbitt

Senior VP & CFO

Yes. Thank you, Ron, and Ghansham, thanks for the question. We are, as we've been speaking to a lot of you all, very focused on trying to improve the profitability. And that is why Ron really highlighted the growing importance of our metric of profit per can.

We measure it in profit per thousand being manufacturers, but regardless, it's profit per can focus. And I think the business is responding very well to how -- to this focus. And you've seen -- we saw good performance, good cost management, good pass-through of our cost really on top of our game that came through to deliver that 10% growth on operating earnings quarter-over-quarter.

Ghansham Panjabi

Robert W. Baird & Co. Incorporated, Research Division

Okay. Fantastic. Very comprehensive. And then just on the resegmentation, if you will, and just moving the plants in India and Myanmar to the EMEA segment, should we take away from this that you're just going to focus on North America, Europe and Latin America and not so much on the emerging markets, including those regions?

Or is it just an interim move, if you will, before you start looking at capital deployment in the other regions, the emerging markets outside of South America?

Ronald J. Lewis
CEO & Director

Let me start with that question, Ghansham. Thank you for it. And I know we probably have some follow-up work to do with you and others after this call. But number one, the reason we made this segment operating change is this is the way we manage our business. It really is.

We -- the management team that manages our EMEA business is also the management team that manages those plants that we've now included in our EMEA business. So we're doing it for the way that we operate our business. We want you to look at us and advise on us the way we operate our business.

Number two, we want it to be as clean as possible for you and others to analyze us from an operating earnings perspective. So it's about transparency for us, both the way we operate internally and the way that we want you to look at us.

The 3 regions in which we operate, including those regions that we've now added to our EMEA business, are our core business, and we are the market leader in North America, South America and what is our EMEA business, the footprint that we have there.

And we're very excited about our EMEA business. It's a growing business, especially those parts of the world that we just added. India is growing high teens and has been for years, and you saw us add capacity and announce additional capacity adds to India and you see our competitors looking to add capacity there.

So it's a great market, and there are other great markets out there. I wouldn't take from this that we are focusing only and solely on the markets we operate in. And maybe, Dan, if you wouldn't mind commenting a bit on the other segment changes.

Daniel J. Rabbitt
Senior VP & CFO

Yes. As far as the segments goes, the other thing that we did noteworthy really and was taking out the financing, the treasury-related items of the businesses to allow for better transparency on how the businesses are performing.

And we really like our prospects in all 3 regions. And as you know, we measure everything from how we want to grow this company through the lens of EVA, and we see great opportunities in all 3 of our regions. And -- so I think now you have a better picture on how they're performing.

And really, if the changes may be contrary to what people might think is actually were slightly negative, but the operating earnings would have been higher had we not made them on the quarter.

I think over the long haul, we see this as a de minimis change. And again, reinforcing that the net earnings really have not changed. We're really materially the same place where we are when you look at the bottom line.

Operator

Our next question is from Anthony Pettinari with Citi.

Bryan Nicholas Burgmeier
Citigroup Inc., Research Division

This is Bryan Burgmeier on for Anthony. Just wanted to ask about tariffs. Curious if there's any impact to Ball from sort of the latest changes announced early last month, specifically just thinking about covering some of the derivative products or applying the tariff value to the whole value of the product, and conversely, maybe some changes to Mexican beer. Just not sure if that alters the view for Ball at all.

Ronald J. Lewis
CEO & Director

Bryan, thanks for the question. Again, the tariffs that manage and govern the aluminum ecosystem and industry are Section 232. That's what's most impactful on aluminum cost and pricing.

And the recent changes, I think they're de minimis for our business. There's a slight positive for products that can come to the U.S. filled products, be they impact extruded aerosol packages or, as you said, beverage packages that are filled.

So net-net, it could be slightly positive. But we're focused on serving our customers. And when they look for supply from us, that's what we're intending to do. And yes, so far, so good.

Bryan Nicholas Burgmeier
Citigroup Inc., Research Division

Got it, got it. And then you touched on India already, but just wanted to follow up there. You've seen maybe some reports about like energy shortages or material shortages. Just curious if that region has been impacted at all by what's going on in the Middle East? And it seems like a pretty good growth outlook over there. But yes, if you could just maybe share some details on the near term and long term for India.

Ronald J. Lewis
CEO & Director

Sure. Thanks, Bryan. India, for sure, is an exciting place. That's the real story is that we've seen multiple years of high teens plus 20% growth. So the can industry is really moving quickly to establish supply locally as we are. As I noted, we've recently added capacity to 1 of our 2 plants there, and we've announced adding of capacity to the second of our plants.

So that's the real story of just managing growth in a high-growth market with capacity constraints. There are continuing to be imports into that country because we cannot, as an industry, manage to fulfill all the demand locally and there are some minor supply chain disruptions in that market that are, I think, come and gone.

So we're running our plants and our plants at capacity. So if there there's any -- there was no material impact and nothing to note really to talk about on this call, and we're excited about the long-term prospects of India.

Operator

Our next question is from Phil Ng with Jefferies.

John Robert Dunigan
Jefferies LLC, Research Division

This is John on for Phil. I just wanted to start on EMEA. The comparable EMEA earnings came in quite a bit better than we expected. It sounded like Benepack wasn't much of a contributor, at least compared to where you were thinking it was going to close. But you did note that the FX actually supported the earnings in the segment.

Could you just maybe give us a little bit more detail on what drove some of the higher year-over-year comparable EBIT in the quarter?

Daniel J. Rabbitt
Senior VP & CFO

Sure. This is Dan. I mean, I think we have to start with is that the business performed really well. We're, again, focusing very much on improving profit. This region really has probably the most runway to improve profit, and indeed, they're doing that.

So I think it's a credit to that. But when you look at the overall puts and takes that Ron previously had talked about, the driver of this region is the EMEA segment, as you've always heard about at the last few years. It is performing very well. We're getting good now with the India plants and the Myanmar plant coming in. Those 2 are showing growth and good operating leverage as well.

So I think the 2 inorganic opportunities that we took on buying Benepack and selling the UAC really kind of neutralize each other. So I think really mostly what's happening is good performance in this segment.

John Robert Dunigan
Jefferies LLC, Research Division

Great. And maybe you could just quantify how much the FX supported earnings in 1Q? And then my second question is just on the corporate undistributed costs. It sounds like they stepped up. Maybe that was just a factor of some of the recasting that you did, but going up to \$175 million, I think you said. Could you just tell us what's going on there?

Daniel J. Rabbitt
Senior VP & CFO

Yes. Well, a lot of the positive FX now is moving out of the segment reporting for what we did. So -- but for the company as a whole, I think we probably had about \$15 million of positive earnings from the translation and a lot of that is the euro when you compare it year-over-year from the first quarter because it was at a low point a year ago and now it's kind of, I don't know, about 0.15 higher on the (EURUSD) foreign exchange (rate).

Ronald J. Lewis
CEO & Director

As it relates to EMEA specifically, John, I think it was less than half of the gain in operating earnings in our EMEA business was related to FX.

John Robert Dunigan
Jefferies LLC, Research Division

Great. And then the corporate undistributed?

Ronald J. Lewis
CEO & Director

That's what I think Dan referred to earlier, which was the \$15 million.

John Robert Dunigan
Jefferies LLC, Research Division

I apologize.

Ronald J. Lewis
CEO & Director

So there's a corporate undistributed. That's where we put the FX gains and losses as the translational impact on EMEA was less than half of the operating earnings gain, and that's what you heard from others in the industry as well.

Operator

Our next question is from Edlain Rodriguez with Mizuho Securities.

Edlain S. Rodriguez
Mizuho Securities USA LLC, Research Division

I mean, clearly, I mean, one, we are clearly in an inflationary environment globally. Like how do you expect this to impact consumer mood and ability to spend? And if there is any impact, like in which region would you expect to kind of start seeing that first?

Ronald J. Lewis
CEO & Director

Thanks for the question. Well, first of all, the can is winning in every single region in which we operate, and it continues to take share from other substrates. That was true last year and the year before and the year before, and it's true this quarter, and we believe it will be true for the foreseeable future. So the can is winning.

And we can -- you see the same data we see, and we're really pleased for that. And why is that? It's because of the unique nature of the can. It provides a robust transportation. It provides a robust shelf life.

The can has a shelf life of the year. It provides a great billboard effect. You could sell it as singles, multiples. I mean, I can talk for hours about the benefits and -- of filling your product in an aluminum beverage package and especially one made by Ball. So that's what makes it unique and helpful.

As it relates to inflation on the consumer, I mean, all inflation -- all costs are going up. And all I can say is our customers are excited about winning with the can as well. Every time I go to one of our plants, I see new promotional activity coming into summer, especially in the Northern Hemisphere.

So every one of our plants is running and most of those labels are promotional labels. And I think our customers will continue to lean into the can as a means of helping them to support the consumer as they seek value.

Daniel J. Rabbitt
Senior VP & CFO

And Ron, I think the only other thing to add is that as consumer really is in place -- has headwinds, it tends to kind of retreat to doing more home consumption. And that's been the reason why it's remained so strong.

Edlain S. Rodriguez
Mizuho Securities USA LLC, Research Division

No, clearly, that's the case. And one quick one. In terms of like the pass-through mechanism you have for aluminum and other costs, can you remind us how much -- like is there a lag? And how much is that lag in terms of like how quickly you pass-through those costs?

Ronald J. Lewis
CEO & Director

Okay. Well, let me do very quickly. On aluminum, it's, I'd say immediate, and our other cost pass-throughs are formulaic in nature, and usually, they pass-through on an annualized basis. Is there more detail you'd like to add to that, Dan?

Daniel J. Rabbitt
Senior VP & CFO

Yes. I think the 2 areas I would add on to that is that really we're talking about higher energy costs and how does that impact us. And Ron covered the aluminum, so I won't go back to that. It's really about the customer often pays for the freight, more often than not, pays for the freight, too. So that's a pass-through, too, and that's a fairly immediate pass-through in many circumstances.

And then when we look at the year, we always look at trying to hedge and lock in our energy cost. And so we're in a pretty good position from what it takes to run our plants right now, too.

Ronald J. Lewis
CEO & Director

And we do those hedging to align with our customer contracts so that we want to be valued for the additional values that we add to the aluminum that we buy and make into aluminum beverage cans and ends and bottles for our customers.

Operator

Our next question is from Mike Roxland with Truist Securities.

Michael Andrew Roxland
Truist Securities, Inc., Research Division

Congrats on all the progress. First question I had is, Dan, you just mentioned in response to John's question that the EMEA business has the most runway to improve profit and they're doing that. That segment was already achieving its operating leverage target, whereas North America isn't. So I'm just wondering what you see in terms of potential for EMEA and why it has the most runway relative to other businesses.

Daniel J. Rabbitt
Senior VP & CFO

Yes. Thanks, Michael. I think the main thing to do is when you take a look at the profit per can, EMEA is our lowest, okay? So for the regions. And they actually have been focused for several years and making the biggest strides on it and -- as far as the profit per can. So that's why I highlight that there's the most opportunity and the most progress has been made, too, as we think about that from them.

Your question about North America, really, right now for the last quarter or 2, we see North America on target for trying to -- for the 2x operating leverage. It's been pretty close to that number as we measure it both this quarter and last. So I think good things are happening in North America as well. And it is also increasing its profit per can, too, as we look at it.

Ronald J. Lewis
CEO & Director

And if you don't mind, Dan, I'd like to add a few things. Mike, thanks for the question. How are we going to improve our -- why do we believe we can improve our operating earnings in Europe? It comes back to our operational excellence platform.

Number one, we need to implement manufacturing standards in our business, and we're doing that. Number two, we need to manage our network well and adding 2 new plants in countries where we didn't operate in Belgium and in Hungary are certainly going to help us.

And we're investing in our people and our systems. So those are the things that I think will -- that give us confidence that we can continue to compete and operate our plants and our network well.

I would say the other thing is Europe, we always talk about it as a land of opportunity. There is still significant opportunities for can penetration. So we know there's a lot of runway to go.

We're really proud of our ability to deliver our operating leverage this quarter. We delivered and then some across the enterprise, we certainly delivered it and then some in our EMEA business. We delivered flat operating earnings in South America.

Despite the volume declines in North America, we achieved our operating leverage there as well in the quarter, although for the enterprise, for the full year, we expect to do more or less operating leverage as compared to our volumes at 2x. That's what we're planning to do.

Daniel J. Rabbitt
Senior VP & CFO

And Ron, I think I'll use this as an opportunity to reiterate the outlook for North America. We've been talking about the \$35 million of ramp-up costs for Millersburg and the domestication of some end production as well. And that was not in the first quarter.

So as we start to think about the rest of the year, you're going to see those costs come in later in this quarter and heavily in the third quarter, possibly a little in the fourth quarter as well.

So that's going to distort some of that operating leverage. And that's why we've been saying all year long, you're going to have to make some adjustments for those, and you will see the operating leverage on the base business.

Michael Andrew Roxland
Truist Securities, Inc., Research Division

That's perfect. And if I could, just one quick follow-up. In terms of some of the incremental costs you're experiencing, obviously, they're believed to be transitory of freight, chemicals, energy, and I think I know what's the answer is going to be, but I'm going to ask this question anyway.

What levers do you have available to you internally to offset those higher costs? I'm assuming operational efficiencies, deploying best practices, the Ball Business System and some of the things you mentioned historically -- on your commentary. But those are the levers that you have in your wheelhouse to basically offset incremental costs and to even potentially drive margins higher when those costs recede?

Ronald J. Lewis
CEO & Director

Mike, I think you're thinking about it the right way. We have to be operationally excellent every day, and that's the first pillar with our strategy. So that -- those are the primary means by which we offset those costs. And they're real.

So -- and then the second thing is we are a resilient business model. We are rewarded for and paid for making cans, bottles and ends as efficiently as possible. And the cost that we manage on behalf of our customers are generally passed on to them in a formulaic way, be it freight, be it other direct materials, be it aluminum through various means. So that's what makes us a very resilient business in a very resilient industry.

Operator

Our next question is from Arun Viswanathan with RBC Capital Markets.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

I guess I just wanted to get your thoughts on maybe the contracting environment. You guys are adding capacity in North America and Europe and elsewhere. So presumably, supply demand is relatively tight in all regions.

But are you expecting to -- given that tight capacity, would there be any pricing opportunities over the next few years? I mean, should we still expect about 1/3 of your contracts roll over every year? Or maybe you can just kind of help us frame those kinds of opportunities as well.

Ronald J. Lewis
CEO & Director

Arun, thanks for the question. I would say you saw the industry grow significantly the last few years. Certainly, last year, Ball, we grew more than 4%, so above our long-term algorithm. And we used up a lot of the latent capacity that we had.

So strong growth in the last several years has led to a relatively tight supply and demand scenario. We, as a business, are operating certainly at asset utilization levels in the mid- to high 90s depending on the region on a percentage basis. So the supply and demand is relatively balanced to tight.

The next thing I would say is the long-term nature of our business is also reflected in the long-term nature of our contracts with our customers. So I mentioned earlier on the call, we are sold out for this year. We are more than 90% sold for next year, and we're more than 50% sold for the balance of the decade.

We have a heavy capital deployment in our industry. So it requires that level of commitment from a customer for multiyear contracts. So we're well contracted. You said there's roughly 1/3 of our volume turnover every year. Just based on those numbers, it's significantly less than that.

Is there an opportunity for us for pricing? I would say, we want to be fairly rewarded for what we do, including down to all of the value-added things that we do, whether it be a different type of specialty can or a special promotion or a different type of ink.

Those are the things that we deserve to and get rewarded for when we're able to bring that sort of innovation to the market. The market will be what it will be, and we just know that we need to be operationally excellent to compete in it. Thank you, Arun.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

Okay. And then if I could ask a follow-up. Just curious on if you will be putting in more capacity here in North America. Obviously, you have the Millersburg plant, but presumably, that will only bring you down to the low 90s and maybe even in the mid-90s. So is that -- would you be adding more capacity?

And what are your customers, I guess, when you do go through this process, do you kind of presell the plant out? Or is it kind of more done in the future?

Ronald J. Lewis
CEO & Director

Yes. Thanks for the question, Arun. It gives us a chance to talk about Millersburg, which will be commissioning late this year, and it will bring material volume to our network next year. It will allow us to remove some supply chain inefficiencies because we do not have capacity in the Pacific Northwest of the U.S. So that will help us and our customers.

The most important thing about that plant that you should know is it comes on the back of a long-term offtake agreement with one of our most strategic customers. So that plant is -- capacity is spoken for, for many, many years to come when we build it. And that is the second thing that you said, the case for any plant that we would build, we will not build a plant unless we have a long-term offtake agreement filling essentially all of the capacity for that plant.

So we're excited to bring new capacity to North America, but we only bring it on the back of a customer's commitment to us because they see the growth of the beverage can. Maybe a specific comment, for example, the energy drink category, as you know and we all know, is growing and continues to grow unabated. And as it grows, we're excited to help our customers in that regard.

And we have potential to build another plant on the East Coast at some point before the end of the decade, but I wouldn't get too excited about it because it won't be in the next several years. But we have intentions to build a plant in the East Coast in North Carolina because of the growth of one of our more -- most strategic customers as well. And we'll do that when it's appropriate. And hopefully, that gives you a sense of how we deploy our capital related to our customers. Thank you.

Operator

Our next question is from Hillary Cacanando with Deutsche Bank.

Hillary Cacanando
Deutsche Bank AG, Research Division

Could you talk about what you're seeing from the CPGs in terms of promotional activity? Are you seeing them be more promotional than they have been in the past? Any color on that would be helpful.

Ronald J. Lewis
CEO & Director

Hillary, thanks for your coverage of us. We appreciate it. Yes, it's great. Our customers, we really expect them and look to them for guidance on how they view the consumer. They're much better at this than us, and we really appreciate the insights they provide us.

Based on what we know and we hear from them, I'm going to talk specifically about the summer coming up. When I go into our plants and our factories around the world, be it in Europe, in South America or in the U.S., at least one of the lines is running a World Cup label. So that's exciting.

Everyone is excited about the summer's World Cup coming up. And if you're walking through one of our plants in North America, I can almost guarantee you, you will also see another line running America 250-year celebration labels as well.

So clearly, our customers are looking forward to taking advantage of some exciting consumer-driven marketing activity this summer. And it should be at least -- it will be no worse than neutral, and we think it will be a net positive for us.

We couldn't put a number on it right now. We're just pleased that our customers continue to see the value that I spoke about earlier of the beverage can. It provides an amazing billboard for them to talk about that promotion.

They can use it as a multipack or a single different sizes and the robustness of the package means that they can lean into the can as opposed to other packaging substrates because of the shelf life and the quality that, that can provides for their product.

Hillary Cacanando
Deutsche Bank AG, Research Division

Got it. That's helpful. And then just a follow-up question. The EVA framework really seems to be working well in setting a clear guideline and goals on the corporate level. So could you just talk a little bit about how the EVA framework is being used to like incentivize employees at the plant level and to make operational decisions and is that what's driving operational efficiency on the corporate level as well?

Ronald J. Lewis
CEO & Director

Thanks for the question, Hillary. I'll let Dan say a few words in a moment about EVA, but it just gives me a chance to say, EVA is our North Star. It has been for a long, long time, and it will continue to be for the foreseeable future.

So how we deploy capital, running a cost-efficient business, that's what acting like an owner means. So as it relates to our plants, all of us are rewarded for delivering EVA dollars, every single person in this company. And maybe, Dan, could you give some nuance around how we're thinking about EVA operationally?

Daniel J. Rabbitt
Senior VP & CFO

Yes, the nice thing about having EVA is it's been here longer than Ron and I have. And so it's really ingrained in the culture. We do like to have everybody included in these plans. And what we're really focused on now is breaking EVA down from this financial concept into what they can actually do to improve EVA.

So we're making it much more personal. And that's one of the key items we're doing to improve the profitability of the company right now is really getting much more granular and breaking down EVA.

Operator

Our final question will be from Matt Roberts with Raymond James.

Matthew Burke Roberts

Raymond James & Associates, Inc., Research Division

I got a couple of messages, clarifications. First, April, I believe you said that was up mid-single digits. What region was that? Or was that enterprise wide? I believe South America, you said April up 20%. How much of that 20% was the catch-up from 1Q?

Ronald J. Lewis

CEO & Director

Thanks for the question, Matt. So enterprise-wide, we started the quarter, the month of April, up mid-single digits as an enterprise. Within that enterprise, South America, April volumes were up 20%. How much of it was catch-up from Q1?

Well, what I can say is that April volume made up for all of the declines we saw in the first quarter. And it gives me a moment to just say what happened in the first quarter.

What happened in the first quarter for us was you saw a really strong volume for us, high single digits in Q4 2025. So we came into the -- to Q1 with a pretty healthy sales of cans to our customers who had built a strong inventory.

The peak season in South America, weather wasn't probably as good as on average that it would normally be. So it was a little weaker than average, but the -- coming out of peak, the weather has been quite good. And we're seeing a strong pull through as we come out of that peak selling season in South America.

And we think that's some of what's happening. And it wasn't asked, but we delivered flat operating earnings in the region, which we're really proud of. And how we did that was we actually got to a position where our inventory levels were a bit lower than we expected. So we were able to build back our inventory, which helped us to deliver the P&L in South America.

And also, we had some good size mix and country mix there as well that helped us deliver flat operating earnings while we had volumes down a bit. So hope that answers your question about the volume and a little bonus on color on South America.

Okay. Thank you very much, Matt. And Sherry, I think that's our last question. So I just wanted to thank everybody again for your interest in our company, your analysis of our company, your partnership in helping us tell our story, we really appreciate that very much.

We look forward to talking with all of you more and sharing our story. So we're excited about how we delivered the first quarter of 2026. We're confident in how we're going to complete 2026. And importantly, we're confident in the long-term nature and the resilient business that we have the privilege to run.

So thanks again, everyone, and we look forward to talking to you very soon.

Operator

Thank you. This will conclude today's conference. You may disconnect at this time, and thank you for your participation.

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