

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

BLL - Q3 2018 Ball Corp Earnings Call

EVENT DATE/TIME: NOVEMBER 01, 2018 / 3:00PM GMT

OVERVIEW:

Co. reported 3Q18 comparable diluted EPS of \$0.56.

Document includes important disclaimers at the conclusion of the transcribed comments



CORPORATE PARTICIPANTS

Daniel William Fisher Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

John A. Hayes Ball Corporation - Chairman, President & CEO

Scott C. Morrison Ball Corporation - Senior VP & CFO

CONFERENCE CALL PARTICIPANTS

Adam Jesse Josephson KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst

Anthony James Pettinari Citigroup Inc, Research Division - VP and Paper, Packaging & Forest Products Analyst

Arun Shankar Viswanathan RBC Capital Markets, LLC, Research Division - Analyst

Brian P. Maguire Goldman Sachs Group Inc., Research Division - Equity Analyst

Clyde Alvin Dillon Vertical Research Partners, LLC - Partner

Deborah Anne Jones Deutsche Bank AG, Research Division - Director

Edlain S. Rodriguez UBS Investment Bank, Research Division - Director and Equity Research Associate, Chemicals

Gabrial Shane Hajde Wells Fargo Securities, LLC, Research Division - Associate Analyst

George Leon Staphos BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research

Matthew T. Krueger Robert W. Baird & Co. Incorporated, Research Division - Junior Analyst

Scott Louis Gaffner Barclays Bank PLC, Research Division - Director & Senior Analyst

Tyler J. Langton JP Morgan Chase & Co, Research Division - Research Analyst

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Ball Corporation Third Quarter Earnings Conference Call. (Operator Instructions)
As a reminder, this conference is being recorded, Thursday, November 1, 2018.

I would now like to turn the conference over to John Hayes, CEO of Ball Corporation. Please go ahead, sir.

John A. Hayes - Ball Corporation - Chairman, President & CEO

Great. Thank you, Melody, and good morning, everyone. This is Ball Corporation's conference call regarding the company's third quarter 2018 results. The information provided during this call will contain forward-looking statements, including estimates related to the impact of the U.S. Tax Cuts and Jobs Act. Actual results or outcomes may differ materially from those that may be expressed or implied. Some factors that could cause the results or outcomes to differ are in the company's latest 10-K and in other company SEC filings as well as the company news releases. If you don't already have our third quarter earnings release, it's 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. The release also includes a table summarizing business consolidation and other activities as well as a reconciliation of comparable operating earnings and diluted earnings per share calculations.

Now joining me on the call today are Scott Morrison, Senior Vice President and our CFO; and Dan Fisher, Senior Vice President and our COO of Global Beverage. I'll provide some introductory remarks, Dan will discuss the global beverage packaging performance. Scott will discuss key financial metrics, and then we will finish up with some comments on our aerospace business as well as the outlook for our company.

Let me begin by thanking those of you who came to our investor field trip earlier in October. It was great spending time with many of you, and we appreciate you taking the time to listen to us articulate how and why Ball is uniquely positioned to lead and invest in sustainable growth in the global beverage can aluminum aerosol container and aerospace businesses, consistently return significant capital back to our shareholders and grow our diluted earnings per share 10% to 15% over time. For those of you who are unable to attend the field trip, the slides and transcript of the webcast briefing are available on our Investor page at ball.com under the Presentations tab.

Now turning to third quarter results, momentum continues across our businesses. On an apples-to-apples basis, comparable operating earnings were up 14% year-over-year, excluding the sale of U.S. steel food and steel aerosol businesses completed on July 31. This was despite a few headwinds that we'll get into in a moment. In addition, a higher-than-expected effective tax rate driven by currency movements, which Scott will go into in a few minutes, also impacted us.

We continue to execute our strategies of achieving better value for our standard products and higher growth for our specialty products, pursuing cost-out programs, completing growth capital projects to fuel future earnings growth and commercializing on the inherent sustainability attributes of metal packaging to provide our customers solutions versus other substrates. In addition, we put \$600 million of proceeds from the food and aerosol sale to good work, acquiring stock and paying down debt, allowing us to reach our targeted leverage levels ahead of schedule.

Now moving on to segment results in the quarter. Volumes in our North and Central American beverage can business were up year-over-year, driven by emerging beverage categories as well as double-digit specialty can growth, which Dan Fisher will elaborate on more.

In addition, we continue to execute on our long-stated need to secure more value for the supply of our standard products. Offsetting some of this tailwind, we continue to incur out-of-pattern freight and start-up costs related to the final 2 lines getting up to speed in the new Goodyear, Arizona facility. Our plant optimizations in Chatsworth, California and Longview, Texas are complete, with both facilities closing this past quarter.

Our South American business delivered solid performance despite the previously disclosed transition away from the ends contract and loss of certain can volumes in Brazil. This will be more pronounced during the seasonally strong fourth quarter, and normalize as we move into 2019.

Our European business continues to sequentially improve on its performance through cost-out and volume growth. We completed the start-up of our new plant in Cabanillas, Spain, and we announced the intention to close a 1-line facility in San Martino, Italy and expand our specialty capabilities in Nogara, Italy beverage can plant in the North. While we still have more work to do, we are seeing the margin expansion opportunity in this segment that we articulated upon the completion of the acquisition in mid-2016.

In the aluminum aerosol side of our business, global volumes were up over 7% in the quarter, and this business continues to operate quite well. Our aerospace business continues to add to its record high backlog, winning additional contracts throughout the quarter and even since our October investor field trip.

And lastly, we continue to focus on our G&A costs, which have continued to trend down as a percent of sales and now currently stand at 4% of revenues. As we go forward, we will continue to execute our long-term strategy of growing earnings over time through increasing revenues above our cost growth by focusing on our value-over-volume strategy, driving more mix shift to specialty containers, further developing innovative aluminum packaging products and expanding aerospace, all with an EVA and return-of-value-to-shareholders mindset. While we're dealing with this -- a few short-term factors outside of our control and turning -- and including higher freight rates and tight metal supply in the U.S. in a more volatile global economy and foreign exchange environment overall, Ball's businesses are uniquely positioned for consistent long-term growth and strong free cash flow in 2019 and beyond.

And with that, I'll turn it over to Dan.



Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

Thanks, John. Our global beverage business operating earnings were up 11% year-to-date. As John mentioned, our global teams kept up with strong demand for beverage cans across Europe, Russia and North America; a welcome improvement, but one that created incremental freight costs above plan given Ball's support of an oversold U.S. industry, while we completed the planned closures of Chatsworth, California and Longview, Texas and the ongoing ramp up of the next 2 lines in our Goodyear, Arizona facility.

Moving to the individual segments. Ball's North America segment volumes rebounded, up just over 2% in the quarter, and profits were up notably given the lack of hurricane disruption versus third quarter 2017. New categories led the way, with wine, sparkling water, craft and spiked seltzers experiencing double-digit growth. Our North America team dealt with an incredible amount of capital projects, plant rationalizations, specialty can growth and freight cost growth through the first 9 months of the year. Everyone is looking forward to having the plant operations network move out of project mode and ultimately benefit from fixed cost savings and reduce start-up costs in late 2018 and beyond.

Embracing complexity is what we signed up for. It is where the growth is and even more economic value. We also are experiencing some short-term supply dislocation from certain metal suppliers that we expect to manage through during the fourth quarter and which will alleviate by year-end.

Turning to our South American segment. As expected, our volumes were down 3% in the quarter due to Ball's 2017 decision to forego some can business in Brazil. During the quarter, we also completed the ends manufacturing contract required as part of the Rexam transaction. Both of these actions have been discussed since mid-2017, so the business performing only \$7 million lower in the quarter versus 2017 was an accomplishment.

South American industry trends remain strong, with cans being the favored package in the beer, tea, energy and hard alcohol categories. FX volatility across the region impacted the effective tax rate in the quarter but did not impact industry demand trends or segment profitability. Our expansions in Argentina, Paraguay and Chile are on track, and we're excited about the can continuing to be embraced by customers and consumers across South America. In short, our business is being very effectively managed and is well positioned for 2019 and beyond.

European beverage earnings were up 14% year-over-year on double-digit volume growth. Europe is ground 0 for the war on plastics, and we are beginning to see customers alter their package mix away from plastics and into cans. The near-term capturable opportunity we discussed during our investor field trip is happening. Tailwinds such as this, the second line ramping up in Spain and the completion of G&A transformation projects will provide additional earnings growth in 2019.

The demand environments in Turkey and India are stable but were largely offset by anticipated demand volatility across the remainder of our Middle Eastern business. And in China, the business remains cash flow positive, and Ball continues to execute its disciplined approach in this country.

In summary, while we continue to deal with a couple of lingering headwinds, the heavy lifting on several of our large global projects is behind us. Supply-demand for U.S. standard containers and certain specialty sizes is quite tight, and we are experiencing progress on commercial initiatives and commercializing sustainability, which will benefit 2020 and beyond.

Thank you again to all of our teams around the globe. With that, I'll turn it over to Scott.

Scott C. Morrison - Ball Corporation - Senior VP & CFO

Thanks, Dan. Comparable third quarter 2018 earnings were \$0.56 versus \$0.52 in 2017. Details are provided in the notes section of today's earnings release, and additional information will also be provided in our 10-Q.

Third quarter comparable diluted earnings per share reflects solid operational performance across our businesses and lower corporate costs, offset by the sale of our steel food and aerosol business and a higher effective tax rate, the effect of which was \$0.05 year-over-year. The higher effective tax rate in the quarter was largely related to foreign exchange gains for tax purposes. This relates to managing our balance sheet in various regions.

For 2018 key metrics, we expect CapEx in excess of \$700 million; free cash flow in the range of \$800 million; full year 2018 interest expense around \$300 million; the full year effective tax rate will increase to 25% based on our current estimates of the impact of U.S. tax reform and currency movements; and corporate undistributed is now expected to be in the range of \$100 million for full year 2018. We put the July 31 cash proceeds from the food and aerosol sale to good work, acquiring stock and further reducing debt. Given the timing of the sale versus the timing of using the proceeds to repurchase shares, it will continue to be slightly dilutive to earnings in the fourth quarter. Prospectively, on a full year basis, the transaction will be neutral to slightly positive related to diluted earnings per share due to the incremental share repurchase and positive to EVA dollar generation in 2019.

Net debt ended the quarter at \$6.1 billion, and we anticipate year-end net debt closer to \$6 billion as we continue to actively buy back stock during the fourth quarter. Roughly 86% of Ball's balance sheet debt is at fixed rates, and we've reached our post-Rexam target leverage level ahead of schedule with net debt to comparable EBITDA at 3.2x as of quarter end, leaving us well positioned in a rising interest rate environment.

The cash flow continues to be strong. And year-to-date through yesterday, we've repurchased a net \$525 million worth of stock, or 13.8 million shares. By year-end, we expect our stock buyback to exceed \$700 million in addition to paying approximately \$140 million in dividends.

Looking forward, over the next 3 years, our plan is to buy back approximately 18% of our outstanding shares by 2021, or approximately \$1 billion of stock annually, in '19, '20 and '21. Once completed, we'll have successfully repurchased the 75 million shares issued to execute the Brazilian JV and Rexam acquisitions. In addition to investing in our businesses, pursuing bolt-on M&A and paying quarterly dividends, that's truly putting the cash machine to work for the long-term benefit of our fellow shareholders.

With that, I'll turn it back to you, John.

John A. Hayes - Ball Corporation - Chairman, President & CEO

Great. Thanks, Scott. Our aerospace business reported higher revenues and operating earnings, driven by solid contract performance, partially offset by incremental labor costs and the lower accruals related to the start-up of many of these new contracts. We continue to expect aerospace will produce material operating earnings improvement in the fourth quarter as new contracts ramp up.

Year-to-date, we have hired approximately 800 new aerospace employees and anticipate adding another 200 to 400 employees over the next 12 months following recent contract wins. The team has done an excellent job managing this rapid growth. With contracted backlog levels at a record \$2 billion, and our won-not-booked backlog now exceeding \$5 billion, an increase of nearly \$1 billion since our second quarter call, the future looks even brighter for aerospace over the next 3 to 5 years.

As a corporation, we truly are positioned for long-term sustainable growth. We continue to manage our asset base with an EVA mindset approach. We are leading more efforts on our sustainability initiatives to ensure aluminum packages for beverage and aerosol are properly positioned as the environmental solution for our customers' brand portfolios. And we're supporting the rapid growth of our aerospace business. We're controlling the things we can control, managing headwinds and leveraging our strong free cash flow to invest for the long term and consistently return value to shareholders via share buybacks and dividends. We continue to reaffirm our 2019 goals of \$2 billion of comparable EBITDA and free cash flow in excess of \$1 billion. And in 2019 and beyond, we are positioned to grow our diluted earnings per share 10% to 15% over time.

And with that, let's move on to the Q&A. Melody, we're ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Edlain Rodriguez with UBS.



Edlain S. Rodriguez - UBS Investment Bank, Research Division - Director and Equity Research Associate, Chemicals

Quick question on Europe. I mean, volume, nice pick up, 10%, but how sustainable is that? Like what can growth be in 2019, 2020 as you're seeing some shift into cans from another substrates?

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

That's a great question. I think 10% had all of us very excited. That was unanticipated heading into the quarter. But mid-single-digit growth, given our footprint in Russia, and also the sustainability lift. We're having conversations with customers today, and we think that, that is a very real tailwind. Relative to what we would expect on the PET shift specifically, it is still going to require investment, both from our customers and our suppliers, to make sure that we can capture all of it and with speed. But I think this is a short-term, mid-term and a 10-year journey that we will continue to benefit from.

Edlain S. Rodriguez - UBS Investment Bank, Research Division - Director and Equity Research Associate, Chemicals

Okay. And just one quick follow-up on Brazil, especially on FX. Most of your competitors seem to be having FX issues over there in the P&L. Like how come we're not seeing those headwinds hitting your P&L?

Scott C. Morrison - Ball Corporation - Senior VP & CFO

Our business is really a dollar-based business pass-through, and then we hedge our net working capital position because we're a dollar functional entity down there. So that's why the tax rate was actually higher because we hedged the balance sheet. And when you get a lot of volatility in currency in a short period of time, we're going to have gains that are taxable, that's why our tax rate actually was a little bit higher. But actual transactional FX is not a big deal to us, typically.

Operator

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

George Leon Staphos - BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research

I wanted to dig a little bit into North and Central America and how the performance trended versus your expectations. Particularly, is there a way for you to parse for us what the start-up freight, out-of-pattern freight, et cetera, inefficiencies were given your footprint initiatives and given the volume trends that you saw?

John A. Hayes - Ball Corporation - Chairman, President & CEO

Yes, George, this is John. Why don't I quickly start? I know freight. Let's just focus on that. On a net freight basis, net of what we pass through our customers, we had a \$15 million headwind year-over-year in the quarter on that alone. So just to give you a magnitude of that. I know -- the start-up, as you know, we had started up the Goodyear facility in the second quarter. So we had a little bit of tailwind. Off the top of my head, I don't know exact, but it was a few million dollars. But I think the biggest part of it was the freight.

George Leon Staphos - BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research

I'm sorry, you're saying that was a tailwind or that was a continued inefficiency in the third quarter on the start-up?

John A. Hayes - Ball Corporation - Chairman, President & CEO

Continued inefficiency.

George Leon Staphos - BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research

Okay. That's helpful.

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

And George, one data point on that, the market was flattish, and we were up 3%. Some of that was the backstop of supply disruption from some of our competitors. And so those unanticipated volumes also built on that.

George Leon Staphos - BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research

That makes sense, that makes sense. Second question I had, I know it's a little early to talk about 2019, but I was curious if you could help us a little bit with how the segments should ultimately build out into that \$2 billion EBITDA goal and where we should see the most movement. As we sit here today, I think your LTM comparable EBITDA is about \$1.890 billion. It was probably a little bit of a tail-off when we get to the fourth quarter because last year, you had such a strong performance in Latin America. So that \$150 million-or-so, whatever the right number is, how should we see that fill out the various segments pro rata. And could you -- is Latin America down next year based on some of the comments you're making? Or did I misread that?

John A. Hayes - Ball Corporation - Chairman, President & CEO

George, this is John. Why don't I kind of start and -- let's first talk about aerospace. We have meaningful growth up in aerospace. And so we've told the world we're going to make in excess of \$105 million, \$110 million in that range kind of this year, and we expect 15% growth on that. So there's, call it, round numbers, \$15 million right there. I think as you go into the aluminum aerosol side, we continue to see growth. Now it's not huge, but we're talking, call it, \$10 million. So that's \$25 million. And then when you get in the beverage can business, just the footprint in North America alone, all things being equal, we have said, is \$50 million. Dan also mentioned -- and we expect to get further growth in North America, particularly on the specialty side and margin of that business. And so we're going to see some improvement in North America related to that. We're actively managing -- and as we've talked about, we're actively managing the freight situation, and so we should be able to eliminate any negativity there. And if we can get some tailwinds around that, that would be a plus. Then you go over to Europe, and we have -- we're closing our San Martino plant. We really haven't gotten any of the benefit from the Cabanillas, Spain start-up. We've got the sustainability that Dan talked about. We also have the G&A that Dan talked about in addition to the continued growth. So that's a big chunk of it. To answer your question specifically in South America, we expect year-over-year growth in South America. It's going to be a bit muted because of this ends contract that we're losing this year. So remember, we had it for the first half of this year or even a little bit longer than that, and we won't have it. But we do expect kind of flat to improved growth there. And then in other places, corporate and the others, that's the bridge effectively.

Operator

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

Arun Shankar Viswanathan - RBC Capital Markets, LLC, Research Division - Analyst

Just wanted to go back to overall beverage can volumes, tracking about 3% in the quarter, very strong result in Europe. It looks like the industry is doing a good job of offsetting mega beer weakness with the mix shift elsewhere and growth elsewhere. I guess, is that a fair characterization? And

as you look out over the next year or 2, do you expect kind of overall global bev can growth to be in that low single-digit range from here on? And what are the differences between regions?

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

Yes. I'd say first things first, big beer in North America, we have that at kind of down 1% in the quarter. So not all that significant. Obviously, Mexican import is kind of built into that number that helps to offset that. So as long as that trend with folks like Constellation and Heineken shipping in, products continue to grow. And we participate, obviously, heavily with those customers, then that helps to offset the declines. And as we've said multiple times on the call, the big beer for one of our customers that's vertically integrated is largely contained into their system as opposed to ours and our competitors. We've kind of earmarked, as we're heading into kind of our strat plan season, 2% to 4% growth globally for the beverage can. The one area that's most exciting, though, to us, and it's hard for us really to calculate, is the potential share shift substrate penetration in Europe and in North America. So over the medium to long term, we're bullish in those 2 regions, in particular with the potential for can to PET shift. And then in South America, Brazil and Argentina, and even Chile, were incredibly strong here in the last 12 to 18 months. I suspect that will modulate a bit and get back to kind of historical norms. Southeast Asia will continue to be strong. China will be flattish to slightly up, but we will -- obviously, we'll take a discretionary approach in terms of capital investment to pursue that. But overall, I think the tailwinds of plastic are going to be a benefit to us going forward. And I think this 2% to 4% growth range is something that we're fairly confident, and we're certainly putting plans in and around that.

Arun Shankar Viswanathan - RBC Capital Markets, LLC, Research Division - Analyst

Great. And then just as a quick follow-up. Appreciate all the detail on George's question. So I guess just was -- just curious if your discussion around commercial opportunities in North America is built into those assumptions? You called out, say, \$50 million from footprint and some growth above that. Is there a possibility for potential upside there due to the commercial opportunities? Or is that embedded in there?

John A. Hayes - Ball Corporation - Chairman, President & CEO

No, I think you should expect beyond 2019 is when you'd see any of the commercial activities in our North American business. We talked about that in our October Investor Day.

Operator

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

Anthony James Pettinari - Citigroup Inc, Research Division - VP and Paper, Packaging & Forest Products Analyst

In -- a couple of questions on North America. Your volumes were up 2%. I was wondering if it's possible to parse that out between U.S. versus Mexico. And then you specified metal supply dislocations that you expect to normalize. Just what's driving that, and was there a real impact to earnings in 3Q?

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

No, and I'll take the metal question. This is one mill in North America, and we've had our team meeting on a pretty regular basis since kind of third week of September with the team there to kind of work through the production issues that they've been facing. As it stands today, based on everything I know, we'll be able to manage through this and have a clean slate heading into '19. Right now, not a lot of disruption, but it's certainly something that we're managing and we're keeping a close eye on.

John A. Hayes - Ball Corporation - Chairman, President & CEO

And then on the North America volume side, I'll quickly take that. The U.S. volumes were flat to up very slightly. And as we said, there are some headwinds around big beer. CSD was relatively flat, but we saw some good growth in energy, in water, in craft, in wine, flavored alcoholic beverages. And then Mexico was really added to get to that 2% growth. Remember, Mexico is very important to us. But as a percent of the total North America, it's about 10% of the volume.

Anthony James Pettinari - Citigroup Inc, Research Division - VP and Paper, Packaging & Forest Products Analyst

Okay, that's very helpful. And then just switching gears. You indicated you're beginning to see customers in Europe alter the packaging mix from plastics to the can. And understanding it's very early days, is it possible to say what beverage categories or countries this is occurring in? And do you have a sense -- is this shift really being driven by the beverage producer, or the retailer, or the customer? Any kind of thoughts you could give there would be helpful.

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

Sure. I would say customers and products that are heavily weighted to plastic, those customers are concerned because they're getting pressure from end consumers, retailers and the threat of legislation. And all of those things are certainly being factored into some of the larger beverage customers that do have an overweight to plastic. And obviously, they're trying to manage their risk profile going forward. And the conversations that we're having are about in the medium to intermediate term, helping to make sure that we have supply for them. I don't know if I'd see a significant move in '19, but I think it would be on '19, I think things would start to show up. But specific things, even like water, and we mentioned this in our Investor Day, we've seen 100% growth in the U.K. off of small numbers, but it's still large movement to cans, you can bet that every category is looking at whether the can is a viable alternative and if they can derisk their plastic portfolio.

Operator

Our next question comes from the line of Chip Dillon with Vertical Research Partners.

Clyde Alvin Dillon - Vertical Research Partners, LLC - Partner

First question is on the just tax situation. It sounds to me this higher tax rate tied to working capital was onetime. But could you sort of give us an update on how we should model taxes, both in the fourth quarter and next year?

Scott C. Morrison - Ball Corporation - Senior VP & CFO

Yes. I said full year rate will be 25%, so fourth quarter will be a little bit lower than that. It is -- this has happened before, but it's unusual. We had 40% movement in a couple currencies, and that's really what drove the impact in the quarter. So to have a \$0.05 impact in the quarter is a pretty big deal. That is unusual and I would say is not something you should model going forward. It is a bit onetime.

Clyde Alvin Dillon - Vertical Research Partners, LLC - Partner

Okay, that's helpful. And then just to remind us, on CapEx, north of \$700 million this year. And talking about the \$1 billion in buybacks for 3 years, plus the \$700 million this year, that makes sense how you get that 76 million shares bought back. How much CapEx roughly should we assume is embedded in that for each of those 3 years?



Scott C. Morrison - Ball Corporation - Senior VP & CFO

Well, we've had a big build in the last couple of years, and I think when we acquired Rexam, we really had a 3.5-year game plan of things that we wanted to do. And I would say with the latest announcement of a closure, we're kind of getting close to the end of that 3.5-year game plan. But all that could change. So I expect CapEx to normally fall a decent amount going into next year. But the sustainability thing is a bit of a wild card. If that really takes hold and when it takes hold, that could require more capital going forward. But I think we're going to like the result of that capital. So it's a bit early to call that.

Clyde Alvin Dillon - Vertical Research Partners, LLC - Partner

I got you, I got you. But in other words, you're either going to have lower CapEx and get the \$1 billion, or maybe it will slip a little bit because it's such a higher return to pursue some of these projects if you see the sustainability thing take off.

Scott C. Morrison - Ball Corporation - Senior VP & CFO

Yes, definitely. We're not going to walk away from good, profitable opportunities where we can put capital to work and earn more EVA dollars.

Clyde Alvin Dillon - Vertical Research Partners, LLC - Partner

Okay. And then the last thing, just when we look at the aluminum aerosol business, you mentioned it grew 7% in volumes this last quarter, which I think it's been pacing at that rate for a while. Is that something that should stay in that range? Or has it sort of seen an unusual pop right now and then maybe it normalizes, I don't know, low to mid-single digits? What would you do as you look out a couple of years?

John A. Hayes - Ball Corporation - Chairman, President & CEO

No, I think we can debate whether it's 5%, 6%, 7%, but in that range. And you have to break it down by geography. We're growing very strongly in India. As you know, that's a few-year-old plant. And as that -- particularly on the deodorant side, that begins to take hold in India. We're seeing very strong growth. And just to give you context, our growth to date really hasn't been with the big multinationals. And so we're starting to see a lot more growth with the multinationals, so we think that's sustainable. You go down into Mexico, which serves as not only Mexico, but also here in North America, and again, it's the same thing. We've been growing mid-single digits, mid to upper single digits in that region off a big base because of the further continued penetration on deodorant and other categories for all of North and Central America. And then you go into Europe, and that's -- the growth is a little bit lower there because it's more mature and it's more penetrated, but we're still seeing good growth there. So you add all those up. And then if we do anything else on the bolt-on acquisition and greenfield, I think it's only going to accelerate from that 5% to 7%.

Operator

Our next question comes from the line of Tyler Langton with JPMorgan.

Tyler J. Langton - JP Morgan Chase & Co, Research Division - Research Analyst

Just had a question on South America. I know you mentioned volumes were down 3%. Do you know what your volumes would have been like if you excluded the conclusion of the end sales and then that loss of business? Would you have seen growth?

John A. Hayes - Ball Corporation - Chairman, President & CEO

Well, let me take that. That's 2 different issues. One, we're talking about can demand for us was down 3%. You're talking about ends. And remember, because of this contract manufacturing situation, we were selling more ends than we were cans. So when we talk about volume, we are always talking about cans.

Tyler J. Langton - JP Morgan Chase & Co, Research Division - Research Analyst

Okay, so that 3% drop excludes the ends.

John A. Hayes - Ball Corporation - Chairman, President & CEO

Correct.

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

Correct.

Tyler J. Langton - JP Morgan Chase & Co, Research Division - Research Analyst

Okay, got it. And then on Europe, I guess, EBIT -- or comparable operating earnings were up \$10 million. And I guess you obviously have the volume growth. Were there any -- and I guess, pricing benefits from sourcing and synergies. Were there any offsets, I guess, from either FX or pricing or start-up costs? Just any detail there would be helpful.

John A. Hayes - Ball Corporation - Chairman, President & CEO

Yes, why don't I quickly take that. A couple of things. Number one, remember that we had the start-up of the Cabanillas plant. So that was a headwind relative to the cost structure. Just in the near term, we're largely out of that. Number two, remember, even in '18, we had some contracts that still have year-over-year price declines. So that's a headwind as well. And then maybe I'll turn it over to Dan because I know there's a lot of freight and other things because the volume was so high.

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

Yes, exactly. The last point is, certainly, didn't anticipate 10% growth, and we kept all our customers in cans, but it certainly cost us a little bit with ramping up Cabanillas and not having a full supply chain available to manage that. So there's an element where you trigger to a higher growth rate, and it becomes hard to kind of leverage and get the flow-through on some of that -- those last cans.

John A. Hayes - Ball Corporation - Chairman, President & CEO

We were shipping cans a lot further than we typically do just to keep up with the demand.

Operator

Our next question comes from the line of Scott Gaffner with Barclays.

Scott Louis Gaffner - Barclays Bank PLC, Research Division - Director & Senior Analyst

First was just a quick follow-up. Scott, on corporate expense, what was the commentary on 2018 corporate expense and how we should think about it going into 2019?



Scott C. Morrison - Ball Corporation - Senior VP & CFO

It should run about \$100 million from full year for '18. So it'll bump up a little bit in the fourth quarter. We triple out benefit things in the fourth quarter, so I expect it to bump up a little bit. But around \$100 million for full year '18. And then '19, too early to tell. But we're on a good trend, and we would expect that trend to continue into '19. We'll see how much.

Scott Louis Gaffner - Barclays Bank PLC, Research Division - Director & Senior Analyst

All right. And then, Dan, a little bit of a question on sort of the secondary packaging. I mean, we've obviously focused a lot on the primary package being cans versus plastic PET bottles. But when you look at it, there's also a big push on secondary packaging, and maybe in some places, getting away from paper-based packaging options and moving more towards plastic wrap or glued all the cans together. How do you think about that in relationship to your offering? And does that cause any additional complexity in the system that you think about as you move towards 2019 and beyond?

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

Yes, good question. I mean, short answer, no. I mean, we typically work with our customers on their filling operations, and whether it's packaging or exactly the pack mix and the size and the scale of that relative to their thought process. We're pretty dialed in. I would say plastic is definitely something that's being contemplated about moving away from because that's waste in terms of how the retailers view that. And so I think your comment on glue and even cardboard, those would be more sustainable products that are being contemplated. And so we're in those discussions with our customers and shouldn't see an impact on us.

Scott Louis Gaffner - Barclays Bank PLC, Research Division - Director & Senior Analyst

Okay. And last one for me. When you look at it, some of your major customers have run decent-sized promotions in 2018. Now how do you think about channel inventories and sell-through on some of those newer products? Is it still going strong? Or should we expect any sort of inventory adjustments as we move into 2019 on those programs?

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

Pretty -- north America specific, I think, is what you're talking about. I'm pretty bullish on -- the reality is we could have sold through a heck of a lot more spiked seltzer had the supply chain taught a little bit more. And I think so what we'll do is we've got a number of customers moving away from historical view on just-in-time inventory, so we can do some pre-builds and things of that nature. So we can get folks set up for success in peak season. So sometimes, the shortness and the inefficiencies in the supply chain and the lost revenue for some of our customers allows us to have a much better dialogue and help them succeed. And that's the kind of conversation I'm seeing right now. So pretty excited to see what happens in peak season next year.

Operator

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

Matthew T. Krueger - Robert W. Baird & Co. Incorporated, Research Division - Junior Analyst

This is actually Matt Krueger sitting in for Ghansham. So I'm still trying to wrap my head around the metal supply issue. Is this more a supplier having trouble with production? Or is this a contract issue that's specific to Ball? And then what gives you confidence on being able to manage through this during the fourth quarter? And will there be any incremental costs specific to this supplier situation?

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

It is with one supplier, and it was, I think specifically, their cast house. And so like I said, we've got a number of folks that have a ton of depth and knowledge with rolling mills, and they've been in and they've evaluated the situation. And at this point, we've been managing kind of hand to mouth. It's not -- we haven't seen a lot of disruptions in terms of line productions, but it's just the managing of the day-to-day, the lower daily coil inventory. And all of those things, again, we're managing through them, but they could be concerning if we don't continue to do that.

Matthew T. Krueger - Robert W. Baird & Co. Incorporated, Research Division - Junior Analyst

Okay, so no expectation for cost impact, correct?

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

Not (inaudible).

Matthew T. Krueger - Robert W. Baird & Co. Incorporated, Research Division - Junior Analyst

Okay. And then moving on to Brazil. So one of the key soft drinks players in Brazil had mentioned a pull-forward of volumes ahead of the elections in 3Q. Did you feel any impact from any pull-forward in the region? And then how do you feel about 4Q volumes in South America just as we sit today?

John A. Hayes - Ball Corporation - Chairman, President & CEO

I'll take the first one. Actually, no is the answer, do we see any pull-through. In fact, in the third quarter, I know overall industry volumes were down in the soft drink side of the business. So we don't see any impact. And as we go into fourth quarter, Dan, you want to take that one?

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

Yes. At this point, I think Q4 and even Q1 peak season down in South America. The only thing we can tell right now is we're running and making every can we can make right now. So it's going to be -- it's a little premature to really understand the sell-through. Kind of tail end of December, beginning of January is when those year-over-year comps and growth rates will start to kick in. But right now, we're seeing a really good production build and pull-through from our customers. And now, it will just be what's the sell-through? The one caveat in South America is Argentina. We're going to continue to see growth, but we'll just see it at a slightly slower rate than we have seen over the last 12 months.

Operator

Our next question comes from the line of Debbie Jones with Deutsche Bank.

Deborah Anne Jones - Deutsche Bank AG, Research Division - Director

You guys talked a little bit about things you might need to do. You see this shift more aggressively into metal from plastic. But I'm curious how what's happening right now may differ from other shift to metal that you've seen in the past. Do you get the impression that this is something that would be more immediate? Or is it kind of similar to past things where there would be test runs on shipping into the new substrate? And then just trying to understand how flexible your system is to manage this.

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

This would be -- Debbie, this is Dan. This would be more pronounced because the level of investment that would be required from our customers to convert plastic lines into can lines, there wouldn't really be an availability to move back. And they'd have to set up the retail channels in a way that it would be pretty meaningful kind of that one fell swoop, if you will. We would probably see that in Europe first, is the reality.

Deborah Anne Jones - Deutsche Bank AG, Research Division - Director

Okay. And then just a follow-up on Europe. You addressed the volume improvement, which is pretty nice. I'm just curious, is the 12% margin, is that the right margin? Are you happy with that? I mean, if I look historically, that's a big improvement. I'm just trying to get a sense of what else there is to do in that region going forward, if anything.

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

No. I think at the outset of the planning phase and where we embarked after the Rexam acquisition, we knew we had a 3- to 5-year journey to kind of get back to where the Ball business was prior to the Rexam acquisition. And we still have some opportunities and some growth from a margin expansion standpoint, stepping more into specialty, becoming more efficient in our manufacturing footprint, making sure we have the right capabilities in the right locations to kind of further diminish the freight disruption, G&A opportunities that we've touched on in the call. So there's still, I think, a couple of years of margin expansion just by kind of getting back in line with what we would have seen historically in our previous European business.

John A. Hayes - Ball Corporation - Chairman, President & CEO

Yes, Debbie, this is John. If you kind of take a step back and recall that -- and don't hold me to this number in '16, but the margins in Europe were well below what we expected. They were in the 9-ish percent, if I remember correctly. And we said we think we have a line of sight to get to the kind of 12%, 12-plus percent margins that we had. I mentioned that because if '16 was about 9%, '17 was about 10%, '18 is about 11%, and then '19, we still have all these cost opportunities that Dan just mentioned. So there's the runway that we always talked about.

Operator

Our next question comes from the line of Adam Josephson with KeyBanc Capital Markets.

Adam Jesse Josephson - KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst

Dan, just one on the North American bev can industry. I may have misheard you, but I think you said the industry's oversold right now. If so, what are industry operating rates compared to historical averages? And why would the industry be oversold if demand is flat to slightly down? And when I don't think you've reduced any net capacity?

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

Well, we have reduced net capacity, and we mentioned that in the investor field trip. I think we took out 8 lines and put back in 5. Secondly, you're talking about more conversion lines, so you lose efficiencies when you're building or you're putting out in the market more specialty products. So your multiple products are up one line, you're making less cans, so all of that is having an impact on supply-demand.

Adam Jesse Josephson - KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst

Operating rates?

John A. Hayes - Ball Corporation - Chairman, President & CEO

Let me take this because Adam, the operating rates, when you ran standard 12-ounce and ran them forever, it was a metric that we -- even we use, we don't use that anymore, because to Dan's point, if you have -- I'm just making -- picking this as an example. If you have one line and you're making 6 conversions in a year, and then you have increased demand on the spiked seltzer, and all of a sudden, you go to 9, the -- you're making a heck of a lot more money than you were on standard 12-ounce, but your operating rates, as defined historically, are lower than that. So what I would tell you is we are operating. Given all that complexity, we are operating as good as we have in the past. But by definition, the "operating rates" are lower.

Adam Jesse Josephson - KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst

Got it, John. Just a couple others. On the plastic issue, what do the brand owners, the Cokes and Pepsis of the world, telling you in terms of their preference for cans versus PET? I think at your Analyst Day, you talked about the fact that they're actually making more money on PET than cans. So what are they telling you in terms of what their preferences are and what their intentions are in terms of shifting among substrates in the future?

John A. Hayes - Ball Corporation - Chairman, President & CEO

Well, I think it's largely what we talked about at the Investor Day that historically, they made -- their profit pools were much bigger on the PET side relative to cans. And through the use of specialty cans, we've been able to meaningfully close that. You layer on top of that with what's happening with the consumer and retailer about pushing more of a sustainable product, and that's what exactly what we said at the Investor Day, is what our customers are telling us.

Adam Jesse Josephson - KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst

Got it. And just one last one. Just in terms of your customers, again, some of your large beverage can customers are struggling pretty significantly to the point that the largest brewer in the world just had to cut its dividend in half last week because of weakness in the global beer market. To what extent do you think your future growth and success is tied to that of your largest customers?

John A. Hayes - Ball Corporation - Chairman, President & CEO

Well, again, we talked about that at length. Our biggest growth right now is happening in all these other categories, and that's what's fueling our growth not only in the United States, but globally. And whether it's energy, whether it's water, whether it's craft, whether it's wine, whether it's spiked seltzers and other FABs, that's where all the incremental growth. And so what we're seeing is if you think just as a big picture, call it 40% of our portfolio in North America is bigger beer, 40% is soft drink and then 20% is the other categories I just mentioned, yes, the big beer is declining. But remember, the can is winning relative to overall volumes. So the can this quarter, good example, overall volumes for beer -- big beer were down 3-plus percent, but yet the can was only down 1% because it continues to take share. On the soft drink side, through the use of specialty, it used to be declining, it's relatively flat, and then we're seeing double digit, if not higher growth, on that 20% of the portfolio.

Operator

Our next question comes from the line of Brian Maguire with Goldman Sachs.

Brian P. Maguire - Goldman Sachs Group Inc., Research Division - Equity Analyst

Just wanted to come back to the really strong volumes in both Europe and North America on a relative basis. And the spirit of the question is really just trying to figure out if there are some difficult comp that you would have a year from now. But in Europe specifically, was there a meaningful impact from the World Cup? I know it's been a couple of months since it happened. But just wondering if you saw a deceleration in trends sort of as the quarter went on that would sort of make it for a tough comp next year. And then in North America, you mentioned this year, some of the others in the industry probably didn't build inventory to anticipate some growth in some of these sparkling water markets you're talking about. Do you anticipate them to build inventory a little bit differently for next year in such that you might not have some of this spillover business next year?

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

Yes. Good question. I'll start with Europe first. I would say Q3 was less impacted by the World Cup. I mean, very little impact. I think what surprised us to the good was the replenishment and the sell-through that was happening in Russia, the can continues to win there, and we're continuing to sell-through at a pretty brisk clip. How effective that will be next year and the very good weather that we had through all of Northern Europe and Central Europe, that will be the wildcard for comps, I would say, less so than is the can winning? Are we securing additional substrate penetration, new category launches? All of those things, we're seeing really nice tailwinds on, I would say weather will be the wildcard for us, if we're going to have something similar there in the North of Europe for an extended period of time. And then in U.S., I actually feel pretty bullish about next year because I think we and our customers, and if you're following any of the CPG companies in North America, they'll tell you they probably left a little bit on the table this year by trying to manage the just-in-time inventories as opposed to prebuilding stock. And so we're having those discussions to set up our customers for success in a more meaningful way next summer. And by all indications, they're feeling pretty bullish about things like spiked seltzer and sparkling water, and some of the other new categories that you saw but probably didn't see the extent to which they could have sold through because Canada's supply chain wasn't set up to deliver those products at the amount that the end markets would have pulled.

Brian P. Maguire - Goldman Sachs Group Inc., Research Division - Equity Analyst

Okay, that's really helpful. Just a follow-up on cost in North America. I think you talked about next year, getting \$50 million of year-over-year improvement from Goodyear and the consolidation that you've been doing on the manufacturing side. Just wondering, does that \$50 million include the sort of duplicative cost you would have by still having those plants up and running this year? Is that sort of an all-in year-over-year benefit you'd expect? And then on the freight side, some of the spot rates have started to tick down a little bit. That could just be seasonality, but just wondering if you're seeing or expecting any flattening out or even maybe potentially lower freight rates going forward.

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

I think the \$50 million is more or less net once we got full ramp in Goodyear. And there are a number of things that we're working on relative to freight rates, both contractually. And to your point, yes, 3% growth during a ramp-up period of Goodyear in qualifications and additional conversions. We hope that, that normalizes. And we pick up some efficiencies just by running our system more effectively next year, absent start-ups.

Operator

(Operator Instructions) Our next question comes from the line of Gabe Hajde with Wells Fargo Securities.

Gabriel Shane Hajde - Wells Fargo Securities, LLC, Research Division - Associate Analyst

One last question on Europe. Obviously, you're sort of expecting, at least in the near term, growth to sort of moderate there. But -- and I appreciate it depends on where some of the growth materializes. But when you look at your footprint, and assuming growth continues even at a, call it a 3% to 5% rate, would this translate into more line additions as it sits right now looking at the footprint? Or would you be talking about more

brick-and-mortar? And sort of asking in the context of looking back to CapEx over the past few years, it was a little bit elevated, call it, \$500 million to \$550 million. What type of return capital is embedded in that sort of a CapEx figure versus your sort of your maintenance and safety environmental spend?

John A. Hayes - Ball Corporation - Chairman, President & CEO

Yes. It's a great question. In the near term, it's more lines within existing bricks and mortar. That's the short answer. We've had -- our folks have gone through every one of our facilities and knows whether it's a full line, whether it's just a couple extra pieces of equipment, how much output can we get within the existing bricks and mortar. That's our near-term focus. I think to both what Scott and Dan were talking about earlier, if longer term, there is a much more pronounced growth that's sustainable, we will look at bricks and mortar. But as we sit here today, that is not on our near-term horizon.

Gabrial Shane Hajde - Wells Fargo Securities, LLC, Research Division - Associate Analyst

Great. Helpful, John. And then one last one. It seemed like you guys tweaked the language a little bit in terms of M&A pipeline or at least allocating capital. That direction, appreciating that those things are more opportunistic or episodic in nature. But are there parts of the portfolio -- I mean, you talked about aluminum aerosol, where you look to, I guess, allocate that capital. I mean, I know the beverage business is pretty well filled out in a couple different geographies.

John A. Hayes - Ball Corporation - Chairman, President & CEO

Yes. Perhaps -- I think you may be reading a little bit too much in the parsing words because nothing fundamentally has changed.

Operator

We do have a follow-up question from the line of George Staphos with Bank of America Merrill Lynch.

George Leon Staphos - BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research

Guys, just a point of clarification. The specialty growth that you saw in the quarter that you said was double digits, was that for North America or is that for the platform globally? That's question number one. Question number two, especially with your beverage customers, how many roughly would you say as a percentage basis have already established sustainability goals by '21 or 2025 or what have you? And how many have yet to establish such goals? Just curious about that.

John A. Hayes - Ball Corporation - Chairman, President & CEO

Yes, George, this is John. To answer your question on specialty, it's both. We have double digits both in North America as well as globally across the system. With respect to sustainability, the vast majority of our customers have either put out specific goals by 2025 or 2030, or they have established an intent over the next years to finalize such goals.

Daniel William Fisher - Ball Corporation - Senior VP & COO of Global Metal Beverage Packaging

And George, there's nothing fundamentally specific about substrate mix shift in there. And so that's the difficulty of trying to parse through some of the data relative to when you can anticipate this. That's why with some of our partners, we're getting indications because they're starting to plan and they're doing mindful planning about how many lines, how many can lines and where. And so those conversations, like we've mentioned in the Investor Day, are happening. They were not happening a year ago. They're happening today.

George Leon Staphos - BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research

Yes. I mean, our sense is a lot of those initial goals, as they were set out, the customers are beginning to be concerned whether they can actually hit them or not. And so that may be one of the reasons that you're seeing the intensified discussion. But anyway, thank you and good luck in the quarter.

John A. Hayes - Ball Corporation - Chairman, President & CEO

Thank you, George. And thank you, everyone. Melody, I think we're concluded?

Operator

Thank you. Ladies and gentlemen, that does conclude today's conference call. We thank you for your participation and ask that you please disconnect your lines.

John A. Hayes - Ball Corporation - Chairman, President & CEO

Okay, thanks.



Forward-Looking Statements

This transcript contains "forward-looking" statements concerning future events and financial performance. Words such as "expects," "anticipates," "estimates," "believes," "targets," "likely," "positions" and similar expressions typically identify forward-looking statements, which are generally any statements other than statements of historical fact. 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 any of such statements should be read in conjunction with, and, qualified in their entirety by, the cautionary statements referenced below. The company 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 our Form 10-K, which are available on our website and at www.sec.gov. Additional factors that might affect: a) our packaging segments include product demand fluctuations; availability/cost of raw materials and logistics; competitive packaging, pricing and substitution; changes in climate and weather; competitive activity; footprint adjustments and other manufacturing changes; failure to achieve synergies, productivity improvements or cost reductions; mandatory deposit or other restrictive packaging laws; customer and supplier consolidation, power and supply chain influence; changes in major customer or supplier contracts or a loss of a major customer or supplier; political instability and sanctions; currency controls; changes in foreign exchange or tax rates, including due to the effects of the 2017 U.S. Tax Cuts and Jobs Act; and tariffs or other governmental actions in any country affecting goods produced by us or in our supply chain, including imported raw materials, such as pursuant to section 232 of the U.S. Trade Expansion Act of 1962; b) our aerospace segment include funding, authorization, availability and returns of government and commercial contracts; and delays, extensions and technical uncertainties affecting segment contracts; c) the company as a whole include those listed plus: changes in senior management; regulatory action or issues including tax, environmental, health and workplace safety, including U.S. FDA and other actions or public concerns affecting products filled in our containers, or chemicals or substances used in raw materials or in the manufacturing process; technological developments and innovations; litigation; strikes; labor cost changes; rates of return on assets of the company's defined benefit retirement plans; pension changes; uncertainties surrounding geopolitical events and governmental policies both in the U.S. and in other countries, including the U.S. government elections, budget, sequestration and debt limit; reduced cash flow; interest rates affecting our debt; and successful or unsuccessful joint ventures, acquisitions and divestitures, including with respect to the Rexam PLC acquisition and its integration, or the associated divestiture; the effect of the acquisition or the divestiture on our business relationships, operating results and business generally.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2018, Thomson Reuters. All Rights Reserved.