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# EDITED TRANSCRIPT

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## PRESENTATION

### Operator

Greetings and welcome to the Ball Corporation 4Q 2021 Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded Thursday, January 27, 2022.

I would now like to turn the conference over to John Hayes. Please go ahead.

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**John A. Hayes** - *Ball Corporation - Chairman & CEO*

Great. Thank you, Malika, and good morning, everyone. This is Ball Corporation's conference call regarding the company's fourth quarter and full year 2021 results. The information provided during this call will contain forward-looking statements. Actual results or outcomes may differ materially from those that may be expressed or implied. 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 company's news releases. If you don't already have our 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.

Joining me on the call today are Dan Fisher, our President and CEO-Elect; and Scott Morrison, our Executive Vice President and CFO. I'll provide some introductory remarks, Dan will discuss our company's performance and trends, Scott will discuss key financial metrics, and then we'll finish up with closing comments.

2021 was a strong year for Ball. We exited the year with momentum and expect another strong year in 2020. Our global beverage can volumes were up 7%. Aerospace revenues were up 10%. Comparable operating earnings increased 12%, and comparable diluted earnings per share increased 18% despite ongoing challenges related to the pandemic, adverse weather events, global supply chain disruptions and higher costs. We also increased EVA dollars over 7%, returning approximately \$950 million to shareholders after investing over \$1.7 billion in capital expenditures in 2021.

For the fourth quarter, global beverage can volumes increased 7%. Comparable operating earnings increased 17%, and comparable diluted earnings per share were up 20% versus 2020 despite persistent dunnage shortages and cool rainy conditions during Brazil's seasonal summer, which muted overall shipment growth in the fourth quarter and the full year.

As we look forward, we expect growth to accelerate further, supported by strong demand for sustainable aluminum packaging, aerospace executing on significant contracted backlog, reaping returns on capital deployed and maintaining pricing leverage across our innovative and sustainable product portfolio.

Yesterday, in addition to declaring our quarterly dividend and following a review of the company's governance profile, our Board of Directors amended the company's bylaws to accomplish 3 things: one, to opt out of the classified Board structure required by Indiana Business Corporation Law in order to begin to destagger our Board; two, to permit shareholders to amend the bylaws; and three, to increase the Board retirement age to 75 years from 72 years. As per the press release we issued yesterday, the Board intends to recommend shareholders to approve the amendments at our 2022 shareholders' meeting, and more information will be found in the forthcoming proxy statement.

In addition, and as part of a multiyear succession planning process that began before the onset of the COVID pandemic, we announced that Dan Fisher will be assuming the role of CEO and that I'll remain Chairman. Dan is ready, and all of us on the Board have a high degree of confidence in his ability to lead our great company. Dan will be the 12th person in our 142-year history to have the privilege to serve as Ball's CEO.

Going forward, I'm handing over the reins to Dan to lead the company. And after 70 earnings and M&A calls with the investment community over my 20-plus years with Ball, today will be my last one. You're in great hands going forward, and I can also say with confidence that while I will miss you all, I will not miss these calls.

My time going forward will be spent chairing the Board and its related responsibilities; helping Dan and our sustainability advocacy work with various stakeholders; burrowing in on the philanthropic work that my wife, Susie, and I have established; spending more time with family and friends; and perhaps most importantly, being the biggest cheerleader of this great institution.

Thanks to each of you for your support over these years. This is an amazing company in an amazing industry, working with and in conjunction with amazing people. If you were to give me a clean sheet of paper to design the most ideal job in the world, it would be this, and I'm the luckiest person in the world for that.

And it is time. Dan has proven that he is ready and has an excellent management team to continue and accelerate the strong financial, operational and cultural performance we have experienced not only since 2010, but indeed, since 1999 when I joined the company. When I reflect on becoming CEO, the bar was set very high then. And to me, our Drive for 10 vision was intended to replicate or exceed the prior decade's performance and returns over the following decade. And you know what, we did just that.

And at the same time, as we sit here today, we have more opportunities to continue this growth than we did in 2010, and there has never been a better opportunity set than the company has in front of itself. However, what will be required to capitalize on those opportunities going forward will no doubt be different than what was required in the past. There will, of course, be challenges Dan and the team will face, but the leadership, the culture, the people, our EVA and ownership mindset and our Drive for 10 vision will be there to support and guide Dan and team just as they were there for me and team.

Right now, I also think about the more than 24,000 employees around the world. The power of we, not me, at Ball is alive and real, and it has been an honor to serve our company alongside them. They really are what makes the company better each and every day. Those aren't just words, it's the truth.

So it's with great pride and optimism that I turn the call over to Dan and Scott to speak to our performance and the outlook for 2022 and beyond. Thank you, everyone.

And with that, our new incoming CEO, Dan Fisher. Dan?

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Thanks, John. I would be remiss if I didn't properly and publicly thank John Hayes for his 22 years of service to Ball Corporation and for his personal support and mentorship of me as a leader at Ball.

Some of you may have listened to nearly all of the 70 earnings and deal-related investor calls John has participated on during his tenure. As you know, John dedicated his time to ensuring the company remain committed to its long-standing culture: EVA and ownership mindset in high ethics while also being innovative, inclusive, sustainability-driven and positioning our business for global growth, while also supporting our communities where we live and operate and generating great returns for fellow shareholders.

We, as owners and students of Ball, and our industries are better off because of his leadership and dedication. We will forever be indebted to you, John. The performance and stock price development under your leadership speak for themselves. And while it is indeed a team sport here at Ball, John was the team captain for the past decade. John, thank you for setting a high bar for us. I can assure you that speaking on behalf of all Ball employees, we are focused on replicating and/or exceeding the company's performance under your leadership. Another decade with nearly 500% return sounds pretty good.

Our team is up to the task. I am humbled and honored to assume the role of CEO and carry on the Ball culture, Drive for 10 vision, EVA discipline and ownership mindset. And as the saying goes, "If it ain't broke, don't fix it." We know who we are, we know where we're going and we know what is important.

Now on to reviewing our performance and outlook. We continue to strive to keep our teams safe and educated about vaccinations and boosters and focused on their mental health. We're not immune to the external forces impacting the global operating environment. However, our teams are doing a heck of a job navigating those external forces and filling in for one another when needed. We extend our well wishes to our employees, customers, suppliers, stakeholders and everyone listening today.

2021 was another year where our Ball team and businesses faced challenges and, through it all, rose to the occasion to care for one another and deliver value to our stakeholders. In 2021, our business highlights included our global beverage business completing the start-up of 4 new multiline facilities: 3 in North America, 1 in South America and the expansion of existing facilities across all regions. The company also announced 5 additional greenfield facilities: 2 in North America and 3 in EMEA, which will come online in 2022 and beyond; our global aluminum aerosol team introducing new reclosable aluminum bottles for personal care and other categories.

Our aluminum cups team signed contracts with the world's largest retailer and continue to have our cup featured at key sporting events and venues; our aerospace team expanding its infrastructure, opening its state-of-the-art Payload Development Facility in Broomfield, Colorado, expanding our Aerospace Manufacturing Center in Westminster, Colorado; as well as successfully launching the Ball-built OLI land imaging instrument on NASA's Landsat 9 satellite, the IXPE astrophysics mission spacecraft and the optics and mirror systems aboard the James Webb Space Telescope; our North America aluminum packaging business continuing progress toward Aluminium Stewardship Initiative Certification following South America's ASI Certification in the fourth quarter of 2021 and EMEA's ASI Certification in 2020.

The company also announced ambitious 2030 sustainability goals, including inclusion and diversity goals, recycling goals and our aspiration to achieve net 0 before 2050. Our business has hired over 2,600 people in 2021 to support our long-term growth and attrition largely due to retirements;

and returning approximately \$950 million to shareholders after investing \$1.7 billion in capital expenditures to generate additional profitable growth for decades to come.

In 2021, our global packaging businesses absorbed \$120 million of nonaluminum inflationary headwinds and additional cost to start up 4 new facilities. Also, in North America, EMEA and South America, operational efficiencies, price/cost squeeze in advance of contractual cost recovery and geopolitical volatility, respectively, resulted in lost production and money was left on the table in 2021.

As we embark on 2022, contractual price escalators based on PPI and other indices, which phase in throughout the year, normal cost pass-throughs and our additional commercial cost recovery program benefits will generate significant incremental value and support higher levels of growth capital in 2022, which Scott will discuss later.

Demand for aluminum beverage cans continues to outstrip supply around the world. We shipped 112.5 billion cans in 2021. 50% were specialty cans, and we exited 2021 with 12 billion units of new installed capacity. We also have plans in place to exit 2022 with another 12 billion units of new installed capacity.

Capacity available to sell-through in 2023 and beyond, announced projects and line additions in existing facilities all underscore our late 2020 Investor Day commentary, and additional long-term EVA-generating contracts for committed volume are now in place to domestically supply our customers in the regions where we operate in 2022 and beyond.

In addition to global beverage, our aerospace, aluminum aerosol and cups teams continue to win new work and position and train talent to support multiyear growth and offset attrition largely due to retirements. To all the teams listening, thank you for finishing the year strong and leaning into another year of growth. We also appreciate your efforts to operationalize and commercialize sustainability, drive our D&I goals and live the Ball culture.

As we discussed throughout 2021, growth isn't always linear. We continue to rely on our supply chain for raw material inputs and look forward to additional investments being announced in 2022 to enable more growth for aluminum packaging. Given our established global scale, significant increase in installed capacity exiting 2021, our capable asset base and innovative product portfolio, we are on course to achieve double-digit global volume growth and global specialty mix in excess of 50% for full year 2022 and sold-out market conditions continuing beyond 2022.

Now a few brief comments on each region. In North America beverage, fourth quarter shipped volumes were up 5% versus 2020, and versus fourth quarter 2019 volumes were up 16%. During the fourth quarter, earnings were up nearly 17% as volume growth, specialty mix and the operational benefit of better finished good inventory levels more than offset higher costs and operational efficiencies in legacy plants brought about by dunnage tightness and indirect supply chain disruptions.

Glendale and Pittston exited 2021 with 4 can manufacturing lines installed, and each have room for additional lines. Our Bowling Green ends manufacturing plant started up successfully early in the quarter and continues to operate after incurring some roof damage during the December Southeastern U.S. tornado outbreak. We are thankful our Bowling Green team and their families are safe. The plant's team's leadership, safety actions and post-event resiliency were outstanding.

The business continues work to build adequate inventory levels is ongoing. These actions, formulaic contractual price increases, higher levels of domestically produced cans and cost recovery will further position the plants and our business for strong double-digit growth in 2022. Ball's previously announced multiline greenfield plants in Nevada and North Carolina are supported by long-duration contracts with strategic global customers and are on track to come online in late 2022 and early 2024, respectively.

In EMEA, shipment volume for the fourth quarter was up 6% versus 2020 on tougher comps given prior year's 20% volume increases due to COVID reopening timing and were also up due to customers adding new can-filling investments. Across Ball's EMEA business, demand trends and positive momentum continues. Near double-digit growth in 2022 will be driven by new and existing categories utilizing cans and available cans from our 2021 line additions and speed-ups across the region.

In 2023 and beyond, our new greenfield plants in the U.K., Russia and Czech Republic, which are supported by long-duration contracts for committed volumes with global and regional key partners, will extend our ability to serve growing customers and categories. Our EMEA team is executing very well and managing complex country-by-country supply chain issues. Key inputs are in tight supply, and though we have contracts and mechanisms to control cost, we're keeping a watchful eye on driver availability and pandemic-related labor shortages impacting timely stocking of store shelves.

In South America, fourth quarter volumes were up 3% versus 2020 and up 16% versus 2019. 2020 volumes were up 12% versus fourth quarter 2019 due to timing effects related to COVID rebound and warmer temperatures during the seasonal summer fourth quarter. Cooler-than-normal seasonal temperatures and excessive rain in Brazil contributed to softer-than-anticipated volumes during the fourth quarter of 2021. We continue to see more earnings upside in South America in 2022 and beyond. The Frutal, Brazil plant start-up, its second line during the first quarter of 2022, additional investments throughout the region continue to be on schedule.

In summary, our global beverage team is preparing ourselves and our supply chains for long-term durable growth while managing notable volatility. Our customers are continuing to lean on the can as their package of choice as brand proliferation and the blurring of the category lines accelerates. We are operating safely, controlling the things we can control, recovering costs, delivering high-quality cans to our customers from even more new facilities supported by equitable contracts and closely monitoring global supply chains.

Our aluminum aerosol team did a good job supplying growth across North America. The team continues to manage varying degrees of consumer demand volatility in Brazil and India. The business continues to make progress on the rollout of refillable, reclosable aluminum personal care and bottle packaging across multiple categories.

To support the new cups contracts I mentioned earlier, we have increased marketing investments and are adding another cup manufacturing line in our Rome, Georgia cups plant. Following this investment, both lines will be capable of making multiple cup sizes. We anticipate profit starting in late 2022.

And turning to aerospace, the team continued to win contracts and maintain record backlog. Segment operating earnings were up 38% in the fourth quarter versus 2020, supported by improved program execution. Carrying in the momentum from the fourth quarter, the business continues to be positioned for sales and earnings growth in 2022 and margin improvement in 2022 given the contract mix.

Across all our operations, we are increasing year-over-year capital and training investments to deliver on strong contracted demand and position our plant operations for success. We appreciate all of the amazing work being done across the organization.

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

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**Scott C. Morrison** - Ball Corporation - Executive VP & CFO

Thanks, Dan. Dan and John, I couldn't be happier for both of you. Congratulations, John. Thank you, first and foremost, for your friendship and for everything you've done for Ball. It's been a hell of a lot of fun. And thank you for your continued thought leadership on sustainability going forward.

Dan, I'm very happy for you, your family and for Ball. This is a great day. You're a great leader and ready for this role. I look forward to us continuing to work together. I have one word of advice for John. Work on your putting. When you don't have the CEO title, you're much less likely to be given those 3-foot puts.

And now to the numbers. Fourth quarter 2021 comparable diluted earnings per share were \$0.97 versus \$0.81 in 2020, an increase of 20%, and comparable full year 2021 diluted earnings per share are up 18%. Fourth quarter and full year sales were up due to pass-through of higher aluminum prices, higher sales volumes and improved mix. Comparable fourth quarter diluted earnings per share reflects strong results in North America, aerospace and other nonreportable and lower year-over-year corporate costs during the quarter, offset by unfavorable euro earnings translation.

In addition, the Ball and Platinum Equity announced sale of the Ball Metalpack investment closed yesterday. As a minority partner, Ball's net proceeds from yesterday's transactions were approximately \$300 million. The sale represents the final step in Ball's 2-step exit from the tinplate steel food and aerosol businesses. Recall that Ball received approximately \$600 million in cash proceeds in 2018 when our legacy steel food and aerosol assets were sold into the minority-owned JV with Platinum.

Ball's balance sheet is very healthy with ample liquidity and flexibility. Year-end net debt to comparable EBITDA was 3.4x and within our optimal leverage range. As we sit here today, some additional key metrics to keep in mind for 2022. Our full year effective tax rate on comparable earnings is expected to be in the range of 19%. Full year interest expense will be in the range of \$270 million, and full year corporate undistributed costs recorded in other nonreportable is expected to be in the range of \$120 million to reflect higher year-over-year incentives based on anticipated higher performance and investments to our systems infrastructure to support our robust growth.

At this time and given additional growth projects in all of our businesses to support EVA-enhancing contracted volumes, we expect 2022 total CapEx to be at least \$2 billion and to return in the range of \$1.75 billion to shareholders in the form of share buybacks and dividends in 2022. We continue to see a path to doubling our cash from operations by 2025 and look forward to even more opportunities to invest in our businesses for profitable returns.

Rest assured, Ball continues to be good stewards of our cash. As fellow owners and through the lens of EVA discipline, we will prudently balance growth opportunities with consistent return of value to our shareholders via dividends and share repurchases. We look forward to consistently investing in our businesses and returning even more value to shareholders in the coming year.

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

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Thanks again, Scott. In summary, our Drive for 10 vision continues to serve as our guide. We know who we are, we know where we're going and we know what is important. We are positioned to exceed both our comparable diluted earnings per share long-term goal of 10% to 15% as well as our EVA dollar growth goals of 4% to 8% per year in 2022 and beyond.

While we are not immune in facing inflation, volatility and supply chain headwinds in the near term, we are confident that we will get through it successfully and maintain our pricing leverage. Over our 142-year history, it has been done before, and it will be done again.

The decadal shift that will favor our packages is happening. We look forward to continuing our journey and being close to our customers, focusing on attention to detail, acting like true owners of the business, being good corporate citizens to our people and our planet and returning value to our shareholders.

And with that, Malika, we're ready for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first phone question is from the line of Christopher Parkinson with Mizuho.

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**Christopher S. Parkinson** - Mizuho Securities USA LLC, Research Division - MD and Senior Industrials Equity Research Analyst

Congratulations on an incredible career, John, and good luck in all your future endeavors. And also to you, Dan, congratulations on your new role as CEO.

**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Thank you.

**Christopher S. Parkinson** - Mizuho Securities USA LLC, Research Division - MD and Senior Industrials Equity Research Analyst

I just -- I was just wondering if you could just parse out a little bit more the volume trends by region. And specifically, you discussed some headwinds in South America and some weather-related impact in the fourth quarter, I think, in North America on overall earnings. When we think about '22 and some of those headwinds maybe not recurring, how should we think about that demand progressing throughout the year?

**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Yes. Great. Maybe I'll start with kind of how we're seeing 2022 and the growth by the 3 large regions. Commented in my prepared remarks, and as you know, we've installed quite a bit of the 12 billion capacity that's exiting '21 is in North America. So you would expect, and that's what we anticipate, double-digit growth in that region. In Europe, we've made a lot of incremental investments. And so we think that, that team will be able to deliver near double-digit growth.

And in South America, we've commented on the 4% to 6% long-term growth trajectory. We anticipate being in the higher range of that. And in all total, I mean, we've got a really strong chance to get to double digits in the global beverage business with the capacity we've installed and the demand profile and the execution.

A little bit more commentary in and around South America. We were just talking to that team the other day. I mean, keep in mind, in the fourth quarter, I think in Brazil, in particular, that's really where we had some demand destruction versus sort of what we anticipated having in the quarter. I think the rain in Brazil was up something like 300% versus a normal rainfall estimate. And that's their peak season. And COVID started to show up in November and December, and they shut down a lot of opportunities for folks to congregate and get together and consume canned beverages. So those were the 2 fundamental issues that precipitated in Brazil.

The good news and why we were able to deliver growth is we play in a lot more areas and countries in that region than in Brazil. And so that's what trended us toward growth is we had a really nice performance in a number of the other countries that we participate in.

As we sit here today, COVID still persists, and so we're obviously monitoring it. It is peak season. The rain has stopped. The weather has improved. Those things are moving in our direction for South America. But we need to get beyond what the entire world is dealing with relative to Omicron to see us return to kind of what we should anticipate normally in the first quarter in South America.

**Christopher S. Parkinson** - Mizuho Securities USA LLC, Research Division - MD and Senior Industrials Equity Research Analyst

Great. No, that's extremely helpful. And then just a really quick one. Obviously, whether it's been supply chain logistics, raw materials, a lot of people have been dealing with higher costs. I think you mentioned you initiated additional cost recovery mechanisms throughout the quarter. If we assume that this persists a little bit longer into, let's say, the first half of next year, can you just discuss a little bit more what those actions are in terms of your cost recovery actions? And any additional leverage you can take to help offset this in the near term?

**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Yes. Thanks for that. So one thing to keep in mind if we didn't make this as clear. We're doing it in all of our businesses. So that's one thing that wasn't maybe as clear when we commented on this plan of attack at the last earnings call.



The teams are fundamentally going out and having conversations in a Ball fashion with each one of our major customers. And so we're sitting at the table as partners and we're having those conversations. And I would say the feedback at this point overwhelmingly is we've made really good progress. We will see that improvement in 2022.

One of the things you're pointing out is those conversations start with a point of view on what the world looks like. And so 2 months ago, I don't think anybody anticipated what was going on in energy prices, for instance, and the Ukraine impact. So we will have to have ongoing conversations as things in the world show up that none of us have anticipated or modeled. But the team has done a really nice job, and I think we're working toward a really nice plan, and we should see that show up in 2022.

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**Christopher S. Parkinson** - Mizuho Securities USA LLC, Research Division - MD and Senior Industrials Equity Research Analyst

Great. Congratulations again.

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Thanks a lot.

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**Operator**

And our next question is from Ghansham Panjabi with Baird.

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**Matthew T. Krueger** - Robert W. Baird & Co. Incorporated, Research Division - Senior Research Associate

This is actually Matt Krueger sitting in for Ghansham. First off, congratulations to John and Dan on the announced elections and transitions yesterday. Just diving right into my first question here. Can you provide us with an update on some of the key growth categories across the beverage can market with a particular emphasis on some of the categories that may have seen some choppiness over the past year or so, such as hard seltzers and other products? It seems like there's plenty of new introductions and momentum elsewhere. But if we could get some details on that, that would be great.

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Sure. And I'll attempt to parse out some of this by region. I would say globally, energy drinks are on fire, and we have a very strong position with a number of those folks. And so we benefited from that in terms of our growth profile.

Beer continues to grow across the world. But I'd say we saw an inflection of CSD as well in Europe, and we have a strong position there. In South America, all of the growth was fundamentally muted by weather patterns. But again, beer is the dominant player there. So growth happens or doesn't happen as a result of beer in South America.

In North America, in particular, we saw growth in CSD; double-digit growth in energy; sparkling water had slight growth. Domestic beer was down. Hard seltzers were down slightly, and craft beer was down slightly. But the largest category, CSD and energy, kind of for us and our portfolio did well. And that's what sort of carried the day for us in North America.

**Matthew T. Krueger** - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Associate*

Great. That's helpful. And then can you talk a bit about how free cash flow is expected to evolve in 2022? Maybe bridge 2021 to 2022. And then can you comment on some of the challenges or hurdles that you have to get over in deploying over \$2 billion of capital in an environment that is increasingly marred by labor shortages and disruptions and kind of absenteeism? Some detail there would be great.

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**Scott C. Morrison** - *Ball Corporation - Executive VP & CFO*

Sure. On the free cash flow front, we actually did a little better in '21 than we expected. We had some milestone payments that we collected in our aerospace business that helped us.

Also, when commodity prices rise, when aluminum rises, we get a benefit from a working capital standpoint because we have longer payable terms than we have receivable terms. And so that helped working capital in '21. In '22, we're kind of expecting relatively flat commodity prices and expecting our working capital to be relatively neutral.

As it relates to deploying the capital, our teams have done a fantastic job on all the new builds, all the incremental lines that we put in plants on time, on schedule. There's a slip here or there for maybe a week or so, but I have to commend our operating folks. They have done a spectacular job. Despite all the challenges, despite the COVID challenges, despite the supply chain challenges, they've really done an excellent job. So it's not without challenges, but I think we have a really good plan as to how we're going to deploy this \$2 billion of capital. And we expect the strong operating performance to continue.

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**Daniel William Fisher** - *Ball Corporation - President, CEO-Elect & Director*

One build on Scott's comments relative to the execution of deployment. Remember, 3, 4 years ago, what we decided to do was create a global engineering organization. And so we have the ability to deploy resources, not region-dependent, but where the work needs to be done. And that team has done a remarkable job of organizing itself, standardizing install base.

I think we got out in front of the process equipment buy. I think there's been a lot of things that we've done right over an extended period of time that are now showing up. And you can't underestimate the fact that we're hiring people well in advance. We're training them. When they come in, they know what to do. They feel safe operating in our environments. And I think that's enabled us to retain people far in excess of kind of what the industrial manufacturing sector is doing.

So knock on wood, we're really encouraged about what we've done, and it's a really good building block and gives us a great deal of confidence that we're going to be able to continue to do that over the next 24 months.

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**Matthew T. Krueger** - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Associate*

Congrats again, John, Dan.

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**Daniel William Fisher** - *Ball Corporation - President, CEO-Elect & Director*

Thank you.

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**Operator**

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

**Anthony James Pettinari** - Citigroup Inc., Research Division - Director & US Paper, Packaging & Building Products Analyst

Congratulations to John for everything you've accomplished and to Dan as well. Dan, you talked about adding 12 billion cans this year after adding 12 billion last year. From a big-picture perspective, can you walk through your major regions and maybe just discuss which might require imports this year and are extremely tight versus maybe regions where your supply situation might be getting maybe more comfortable or more normal?

**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

The 2021 capacity, and it's probably reflected in my commentary for where we see growth in '22, was overwhelmingly in North America. We did put in a greenfield facility in South America. We'll see the benefits of that. And we did incremental investments in both South America and EMEA. But transitioning in 2022, there will be more capacity going into South America and North America. That's where the majority of the 12 billion exit rate of installed capacity will come from. And then in 2023 and in 2024, you'll see a pretty significant step-up in EMEA.

**Anthony James Pettinari** - Citigroup Inc., Research Division - Director & US Paper, Packaging & Building Products Analyst

Okay. Okay. That's helpful. And then just on EMEA, you obviously have a large Russian business. Do you anticipate the move in the ruble and tensions there to have any financial or maybe operational impact in the quarter? And can you help us understand how you might be sort of insulated from geopolitical risk or how you're thinking about that?

**Scott C. Morrison** - Ball Corporation - Executive VP & CFO

Yes. It really runs as a dollar-based business as most of the Russian economy does because it's tied to oil. And our treasury team does an incredibly effective job of insulating us from valuation changes in the currency. So you don't see much of that, to be honest.

**Operator**

Our next question is from the line of Mike Leithead with Barclays.

**Michael James Leithead** - Barclays Bank PLC, Research Division - Research Analyst

I want to echo my congrats to both John and Dan. First on beverage packaging N&C America. Just as we're bridging to 2022 and the earnings potential for that business, can you maybe just help us with what onetime occurrences that hit the expense line that should roll off as we get into this year? And just what type of operating leverage we should expect from volume growth as well?

**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

I'll make a comment, and then I'll give it over to Scott for additional detail. I'd say when we talk about, and we've talked about it time and time again here in the prepared remarks, sort of the net inflation drag, the majority of that was North America-related, and it's how we pass through inflation in our PPI mechanism. So when you're thinking about a year-over-year bridge, you should see the benefits of that inflation transition show up throughout the year because not every contract renewal happens on January 1.

There were, as you can imagine, countless supply chain challenges, et cetera. I'm cautiously optimistic that the supply chain and the ecosystem is going to stabilize somewhat. I can't guarantee that. But I do believe you'll see improved performance because we have exited North America in a much healthier inventory position in 2021 heading into '22 than we had in '20. That should improve the net inflation pass-through, and I'm very encouraged with the execution, as we just commented on, in terms of the project. Those will all be there for us to lean into. I expect North America to have a really nice year next year.

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**Scott C. Morrison** - Ball Corporation - Executive VP & CFO

Yes. I mean the only thing I'd add is exactly on the PPI adjustments, some happened in the first quarter, some happened in the second quarter and some won't happen until the third. But by the third quarter, we should see all of that cost recovery coming back to us, if you will.

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**Michael James Leithead** - Barclays Bank PLC, Research Division - Research Analyst

Great. That's super helpful. And then second, just on capital deployment. If we go back to the Investor Day showed about a year or so ago, you talked about roughly \$1 billion of CapEx per year through '25. And now it seems like we're going to be running at double that this year, and maybe a little bit of that's coming out of buybacks versus what you talked about last quarter. So can you just talk about what's driving that change? I'm just assuming the organic growth opportunity has simply gotten better. But just any color on kind of how you're looking at that and the trade-offs there?

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**Scott C. Morrison** - Ball Corporation - Executive VP & CFO

Yes. I think it's really the organic growth continues to strengthen. We're entering into additional contracts, long-term contracts with customers. And so we have a high degree of confidence in deploying this capital. It really hasn't changed a heck of a lot from our view in our Investor Day in 2020. If anything, it's just gotten firmed up more and become more real. And so we're executing on those plans.

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**Operator**

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

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**Arun Shankar Viswanathan** - RBC Capital Markets, Research Division - Senior Equity Analyst

Congrats on the retirement, John, and congrats to you, Dan, as well.

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Thank you.

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**Arun Shankar Viswanathan** - RBC Capital Markets, Research Division - Senior Equity Analyst

I guess just wanted to understand, we did hear some rumblings of some demand pullback or even maybe some COVID impacts in Q4, but it doesn't seem like there was any real impact on your business. I guess was there any COVID impact? And I guess going forward, I guess, would you expect any impact from absenteeism or anything else like that, that would linger and potentially put some of your projects at risk?

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Yes. Thank you for that question. I would say COVID didn't impact our demand with the exception of precautions in South America, where it's peak season down there and they didn't allow for the public gatherings to the same extent. That's the one where it's most acute, and we can describe that and understand that.

We're absolutely experiencing some impacts to production here in the first couple of weeks of January. I mean it's the wave of Omicron has hit. I think we had nearly double-digit dislocation of our manufacturing folks in all 3 regions here. Last week is where it peaked. I think it's sharply rose, and now it's sharply declining. So I think we got a chance to deliver a strong first quarter. But yes, on the demand side, COVID, with the exception of South America, I'm not entirely sure we saw much impact.

And I think the other question that you had was just relative to demand profile in general. For us, we've been very fortunate that the partners that we have are winning in the marketplace. And so I think in that regard and obviously, there's a ton of focus and has been for the last 6 months, on the spiked seltzer category. We had minimal exposure to that, coupled with the fact that a number of our key partners are doing extraordinarily well in the marketplace. So that may be an insulation from maybe other participants in the market, but I'll leave it there for now.

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**Arun Shankar Viswanathan** - *RBC Capital Markets, Research Division - Senior Equity Analyst*

And then just as a follow-up, I guess. You obviously had talked about the 25 billion and 45 billion of units that you plan to bring on. That was about a year ago. There has been some other announcements by yourselves and other competitors subsequent to that. Do you still think those are kind of the range that we'll expect to see? Or do you see that maybe there's some upside to that given that the demand continues to be robust? You noted some of these markets are on fire. I've seen some real strong numbers in the RTD, ready-to-drink, cocktail market as well. So maybe you can just update us on your capacity plans and maybe for the industry as well.

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**Daniel William Fisher** - *Ball Corporation - President, CEO-Elect & Director*

Yes. Versus our Investor Day 2020, late 2020, when we sort of laid out a multiyear growth plan, I'd say as we sit here today, it was referenced in a previous question, we've spent capital in excess of what we had planned at that time up to this period, which is all good. We have really solid contracts that back it, EVA-generative opportunities.

So based on what we've seen thus far, we're going to take advantage. If those opportunities continue to show up and manifest in the same way, we'll lean into them. We've got a healthy balance sheet, as Scott has already indicated. And if there's more opportunity to grow, we'll take advantage of it.

I think one thing that is a sign towards more growth is if you reference, and maybe Ann can send this out as part of our materials. But Ellen MacArthur Foundation produced the top 10 CPG companies and their producer responsibility, recycle content targets over the next 5 years. Every one of them has a significant improved target position that they've said publicly, and they can't get there without aluminum is the bottom line. So we didn't see that type of target in earnestness behind public targets from our largest customers. They're out in the public domain now, and they're going to have to hit those. So there's quite a lot of belief, at least as we sit here in Broomfield, Colorado today, that we've got more upside than we do downside in those projections.

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**Operator**

Our next question is from the line of Angel Castillo with Morgan Stanley.

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**Angel Castillo** - *Morgan Stanley, Research Division - VP*

Congratulations to you both, gentlemen. Just wanted to follow up on the volume number that you noted for the fourth quarter of 7%. Given what you kind of outlined for the various regions, it seems like there might have been maybe more in the kind of nonreportable segment that was strong growth. And I assume that's essentially imports to whether it's North America or other regions. So I was just wondering if you could give us a little bit more color on kind of what the numbers were for the nonreportable. And then for imports, as you see those into 2022, how should we think about those in terms of absolute numbers versus the strong 2021 that we saw?

**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Yes. Thanks for the question. You're exactly right. The other nonreportable was up double digits. And it's from a combination of our joint ventures around the world, majority-owned assets. So think Saudi Arabia, Southeast Asia. Cans were going into markets that were oversold from all of those areas so that contributed to the uplift.

Hesitant to comment on imports. I can tell you, from our position, we are oversold in all 3 markets heading into the year, and we will have to continue to shift in unnatural patterns from those locations into Europe, and North America in particular, in 2022. I can't comment on the competitors, but we'll continue to see import cans for sure. From us, to the extent that our competitors need them, I don't know that information.

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**Angel Castillo** - Morgan Stanley, Research Division - VP

Got it. And in terms of finished goods, you noted that inventory, you continue to work towards normalizing that. I think in the past, you've given kind of a sense for in terms of days, where we are today versus historical. Could you just kind of update us on that? How much more work there is left to do to get to a place where you really feel kind of back to normal and have good inventory heading into kind of the summer seasons?

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

I think in Europe, we're very close to where we need to be. And in North America, I don't have the specific number. I think it was in the range that we'll be 10 days better than we were a year ago in terms of finished goods. And that 2 weeks is a much better buffer than how we began the year last year.

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**Operator**

Next question is from the line of Salvator Tiano with Seaport Research Partners.

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**Salvator Tiano** - Seaport Research Partners - Senior Analyst

John, congratulations on the great career. And Dan, congratulations on the new role.

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Thank you.

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**Salvator Tiano** - Seaport Research Partners - Senior Analyst

Firstly, I want to ask a little bit about the hard seltzer market since recently, there have been some introductions in some more mainstream products of glass packaging, and there seems to be some saturation with all these brands having all these different products, these really small subcategories of what was the hard seltzer market. Do you see any risk there that some of your customers, in order to differentiate themselves, may start pivoting a little bit towards other packaging substrates?

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

No. I think the can because of the recycled content attributes and because of the commitments from all the major CPG companies, they just can't get to these commitments by transitioning into these other substrates. It will be dilutive. I think the can is winning. It will continue to win. Every

metric we have suggests we're doing more. We're doing more with our major customers, and they're telling us that they're going to lean into the can more and more. So from that standpoint, I think we're in a good spot.

And then I'd just refer you to previous commentary on the spiked seltzer market. Our exposure is very limited to that. I'll leave it at that.

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**Salvator Tiano** - Seaport Research Partners - Senior Analyst

Okay. Great. And I know you discussed CapEx before. I don't know if I missed that part, but I'm just wondering what do you think about the elevated CapEx number this year and especially next year's guidance. If you were to look a few months or a year back, how have things changed just because of inflation on that \$2 billion figure?

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**Scott C. Morrison** - Ball Corporation - Executive VP & CFO

Inflation is a part of it, but a very small part. The real driver is opportunities that we have to deploy capital. It's too bad, during COVID, that we're not doing plant tours and things. But if you went to Glendale, Arizona, that would be a great example of investments that we're making that are really just spectacular facilities. So it's really driven more by opportunities and increasing our capacity versus inflation. I mean there's definitely some inflation in steel and putting up buildings and things like that, but that's not what's driving the increase.

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**Operator**

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

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**Philip H. Ng** - Jefferies LLC, Research Division - Senior Research Analyst & Equity Analyst

Congrats, Dan, in the new role. And John, thanks for all the help over the years.

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Thank you.

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**John A. Hayes** - Ball Corporation - Chairman & CEO

Thank you.

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**Philip H. Ng** - Jefferies LLC, Research Division - Senior Research Analyst & Equity Analyst

My first question, Dan, you've been pretty explicit saying that 2022 in North America is going to be sold out again. But when we think about supply/demand for 2023, how are you thinking about it? I mean, are you expecting to get more balance at that point or still pretty much on allocation?

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Yes, '22, '23 -- it's a great question. 2022, what we see in front of us, we're oversold. 2023 will continue to be tight based on every conversation that we're having with our customers. I just continue to think this is decadal. I don't think this is a 2022, 2023 things get right, supply/demand balances

out. I think the sustainability tailwinds are so pronounced and the commitments are now so public from our customer base that they are going to have to move into aluminum to hit those goals. And so that's what we're monitoring right now.

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**Philip H. Ng** - Jefferies LLC, Research Division - Senior Research Analyst & Equity Analyst

Okay. That's really exciting. And then maybe a question for Scott. For 2021, you had a net inflation drag from some of these nonmetal impact. Did you call out what that headwind was in 2021? And for 2022, how should we think about start-up costs relative to that \$42 million you saw this year? And then will that have a bigger impact on margins in South America just given the amount of capacity that's coming on in that area?

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**Scott C. Morrison** - Ball Corporation - Executive VP & CFO

Yes. In terms of the inflation, it was over \$120 million of net inflation that we had to take in '21, the vast majority of that being in North America, the rest most of it being in Europe.

As it relates to start-up costs, we had \$42 million in the U.S. We had \$50 million overall. So we thought it would be a little higher in the U.S. A little bit of that shifted into the first quarter. So if we won't see a decline necessarily, I think start-up costs will still grow a little bit because we're still looking at expanding facilities here.

As it relates to South America, though, the start-up costs really gets driven by North America, where labor rates are higher, and so bringing people in 6 months early to train is more costly than it would be in South America. So while South America will have a tick-up in start-up costs, it's not gigantic.

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

A simple build on that is, if we're spending capital at a light rate and we're standing up capacity in greenfields at a light rate, you'll start to see us comment less on start-up costs because it's a recurring expense. And so the reason we spoke on it from 2020 to '21 is a significant step-up in some very large greenfield facilities. And it was material, so that's why we commented on it. So I think we'll probably dissipate from those comments moving forward if we continue to spend, which, for the foreseeable future, we are.

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**Philip H. Ng** - Jefferies LLC, Research Division - Senior Research Analyst & Equity Analyst

Got it. That's helpful. And then, Scott, the \$120 million of net inflation, that is \$120 million that you're behind, right, I mean, that you need to hopefully recoup this year? Is that the right way to think about it?

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**Scott C. Morrison** - Ball Corporation - Executive VP & CFO

Yes. Most of that, we had to choke down in 2021. And then we mentioned about our PPI escalators that we have in most of our contracts. We'll recover that, but we'll recover some in the first quarter, some in the second quarter. And by the third quarter, we should have most of that recovered. Every contract is different, and so it's not necessarily dollar for dollar, but it's pretty close.

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**Philip H. Ng** - Jefferies LLC, Research Division - Senior Research Analyst & Equity Analyst

Okay. And then we've seen magnesium prices tick up a little bit. Is that something you guys feel good about passing through pretty timely and then at least getting supply as well, particularly in Europe?



**Scott C. Morrison** - Ball Corporation - Executive VP & CFO

Yes. The metal is a pass-through, so it's just a component of the metal. And if things are volatile -- I would say the supply chain is very tight, and the metal supply chain is very tight. So I'm more concerned about that than I am about any particular component of the metal price.

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**Operator**

Our next question is from the line of Kyle White with Deutsche Bank.

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**Kyle White** - Deutsche Bank AG, Research Division - Research Associate

John, congrats on a tremendous career, and Dan, congrats on the new role.

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Thank you.

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**Kyle White** - Deutsche Bank AG, Research Division - Research Associate

I wanted to ask about inventory levels but more at the customer level. I guess, do you have a sense in terms of where your customers are at from their inventory standpoint, specifically in North America? And how much rebalancing do you think needs to take place? Any way to potentially quantify in terms of how many billion units do you think they are short on inventories?

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

Yes. I don't have that detail in front of me. I think the team is marshaling through a really thoughtful inventory build plan in North America specifically. We're in a much healthier position year-over-year.

I mean, keep in mind, we understand our A-level inventory is probably 80% of our sales volume. We've got annual forecasts that we're operating off of. A lot of the labels that you see right now would be Super Bowl-related, et cetera. So anything that would be a change in graphics, I think, we've got good line of sight into. And I think the team is going to execute really well here in the first quarter.

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**Kyle White** - Deutsche Bank AG, Research Division - Research Associate

Got it. And then I wanted to touch on CSDs, particularly in North America. I mean, historically, this category was driving declines for the industry but is now experiencing some growth, which is quite meaningful given how large the category is. I'm just curious what you're hearing from your key customers on this in terms of what is driving that growth. And are they bullish on it such that they are actually investing in incremental filling capacity for it?

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**Daniel William Fisher** - Ball Corporation - President, CEO-Elect & Director

They're absolutely investing and filling capacity for it. Demand for aluminum, it's a combination of a slight substrate shifts and all the new products that are being launched in North America are being launched in cans. And it will be interesting to see habits have clearly changed over the last 2 years. There is more at-home consumption, and that at-home consumption overwhelmingly benefits aluminum packaging. And so I think the combination of all those 3, we're talking to them. We're planning longer term in terms of a surety of supply, and I'm kind of bullish on that segment for the foreseeable future.

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**Operator**

Our next question is from the line of Mike Roxland with Truist Securities.

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**Michael Andrew Roxland** - *Truist Securities, Inc., Research Division - Research Analyst*

Congrats, Dan, on your additional role.

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**Daniel William Fisher** - *Ball Corporation - President, CEO-Elect & Director*

Thank you.

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**Michael Andrew Roxland** - *Truist Securities, Inc., Research Division - Research Analyst*

And congrats, John, on all your accomplishments and in particular, your retirement from all these earnings calls. Just first question, just following on what Phil mentioned and, Dan, your response being oversold in 2022. And then you mentioned 2023 will be tight, but you didn't use the word oversold. So I'm wondering, how much of your capacity production is accounted for in 2023 at this point?

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**Daniel William Fisher** - *Ball Corporation - President, CEO-Elect & Director*

I would say 95% is accounted for. There's probably an element of spot volume. But keep in mind, we've got contracts that roll over at various times. And so it's not 100% contracted, but it's overwhelmingly contracted. And I wouldn't parse out my comment about not saying we're oversold. I'll give you more detail when we get more into 2022 as it relates to '23, and we have conversations with our customers right now. Everyone is laser-focused on trying to navigate the here and now and getting cans on the shelves. And so we're talking about 2022, but I think our capacity that we're putting in place, as we've said now for several years, it's contracted, it's EVA-generative and we're going to like the returns.

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**Scott C. Morrison** - *Ball Corporation - Executive VP & CFO*

And remember, it's January of '22. So we've been surprised by the upside since our Investor Day. And we're not making great predictions about '23. But to Dan's comments, everything we're seeing looks pretty darn good.

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**Michael Andrew Roxland** - *Truist Securities, Inc., Research Division - Research Analyst*

No. Got you. Very clear. And just one question following up on inventories and current supply chain with logistics issues. How should we think about, or how do you think about inventory levels coming out the other side of COVID? So obviously, you had a certain level of inventory that's pre-COVID. Should we expect that inventories, or we will be managing to a higher level of inventory going forward? To me, my sense is that this just-in-time needs to be modified, given what everybody has been experiencing in the last, call it, 12 to 18 months. I'm not sure what your thoughts are, but I just want to get your thoughts around inventory management on a go-forward basis.

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**Daniel William Fisher** - *Ball Corporation - President, CEO-Elect & Director*

Yes. I've been in manufacturing for 30 years and for 29 of those, we've been moving jobs overseas, and we've been low-cost country sourcing, and we've gone to a just-in-time mentality. And I think all of that will change moving forward.

I don't know what that means in terms of working capital use of cash. I would imagine there would be a combination of folks who are going to get a hell of a lot smarter and more effective and efficient on the stocking levels they have to manage that working capital. But you would think you're going to have to buttress the working capital with trucking continues to be a concern, a number of things that you're managing. But I think this just-in-time inventory phase may be a thing of the past for the next few years.

Malika, we're a couple of minutes over. So maybe we take one more question.

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**Operator**

Next question is from the line of George Staphos with Bank of America.

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**George Leon Staphos** - *BofA Securities, Research Division - MD and Co-Sector Head in Equity Research*

Well, congratulations to both of you and the next chapters, and John, in particular, it's been great working with you the last 22 years, and congratulations on all the performance. I guess I have 2 questions. I guess, first of all, thinking about Europe and what's been going on there from a geopolitical standpoint, are your customers, are you doing anything differently to manage against the risks? I don't know that you could, but if there is anything that you could share and how you're guarding against that, it would be appreciated.

Second question, bigger picture. Dan, how do you see the company's evolution on a couple of fronts over your tenure relative to John's tenure vis-à-vis what you're going to do to promote sustainability in aluminum's place and how the footprint of Ball's facilities evolve over time? You have all these opportunities coming in. You're spending more capital, and you should be given the returns that you're seeing. What's it going to mean in terms of your typical plant in terms of its flexibility, size, modularity and so on?

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**Daniel William Fisher** - *Ball Corporation - President, CEO-Elect & Director*

Yes. So a lot there. I will tell you, the thing that I'm most proud of to inherit in this role, and John's steward us to this point, we are a sustainability company. All of our strategies in all of our businesses are tied to circularity. And even in aerospace, we have a wonderful opportunity to lean in to our climate sensing technology, our data analytics. And so I think that does a couple of things for us. If you don't have sustainability tailwind, you've got a headwind, and our businesses have tailwinds.

The other thing is it's an incredibly powerful attractor of talent, not just our incredible culture here at Ball, but folks want to make a change, they want to make a difference and they can do that at Ball. And so I'm going to lean heavily into that. And I think the leadership team that's supporting me and supporting our 24,000 employees all believe in that.

And so what that means, we have to tell our circularity story. We have to own the aluminum story. We have to improve every aspect of that story. The primary goal of that is recycled content. And I think our supply chain partners know that. We know that. And we're going to try to influence the hell out of that over the next decade.

One of the things that John commented on in his prepared comments are, I asked John specifically to stay in role and support this business because he has been a foundational element and storyteller of our product. And John is going to continue to do that at the highest levels of our government and stakeholders around the world, and we're going to lean on that and continue to build off that.

I'd say that our 24,000 folks are going to define our future a hell of a lot more than Dan Fisher is. But what we have, this culture, how we focus on our capital investments and the company being a sustainability company first and foremost is something that we've got a hell of an opportunity to build on, George.

**George Leon Staphos** - *BofA Securities, Research Division - MD and Co-Sector Head in Equity Research*

Understood. And on Europe and footprint and how will it go?

**Daniel William Fisher** - *Ball Corporation - President, CEO-Elect & Director*

Yes. The risk maybe I'll talk to we do a phenomenal job. We have a significant presence in Russia. As Scott has indicated, it's a dollar-based business. That's where the most speculation and geopolitical instability is right now. Maybe I could have Scott talk about how we look at hedging, how we protect ourselves in contracts and energy contracts, et cetera.

**George Leon Staphos** - *BofA Securities, Research Division - MD and Co-Sector Head in Equity Research*

It's more about what your customers might be doing or not doing. Maybe it's something we can take off-line, but it wasn't so much the hedging, but what are you doing to prevent against risk and your customers as well?

**Daniel William Fisher** - *Ball Corporation - President, CEO-Elect & Director*

Yes. They're still investing. They're investing in filling lines at an accelerated rate versus what we've seen historically. They're still bullish. We're still bullish on aluminum cans. And that's why we're continuing to lean in with, candidly, 3 new greenfields in Europe. That's a significant statement by us and our customers that have been contracted for those facilities to continue to grow in those areas.

And Malika, with that, I'll just thank everyone for their questions and look forward to speaking to everybody at the end of the first quarter. And everybody, stay safe.

**Operator**

Thank you, ladies and gentlemen. That does conclude today's call. We thank you for your participation and ask that you please disconnect your lines. Have a good day.

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