S&P Global
Market Intelligence

Ball Corporation NYSE:BLL

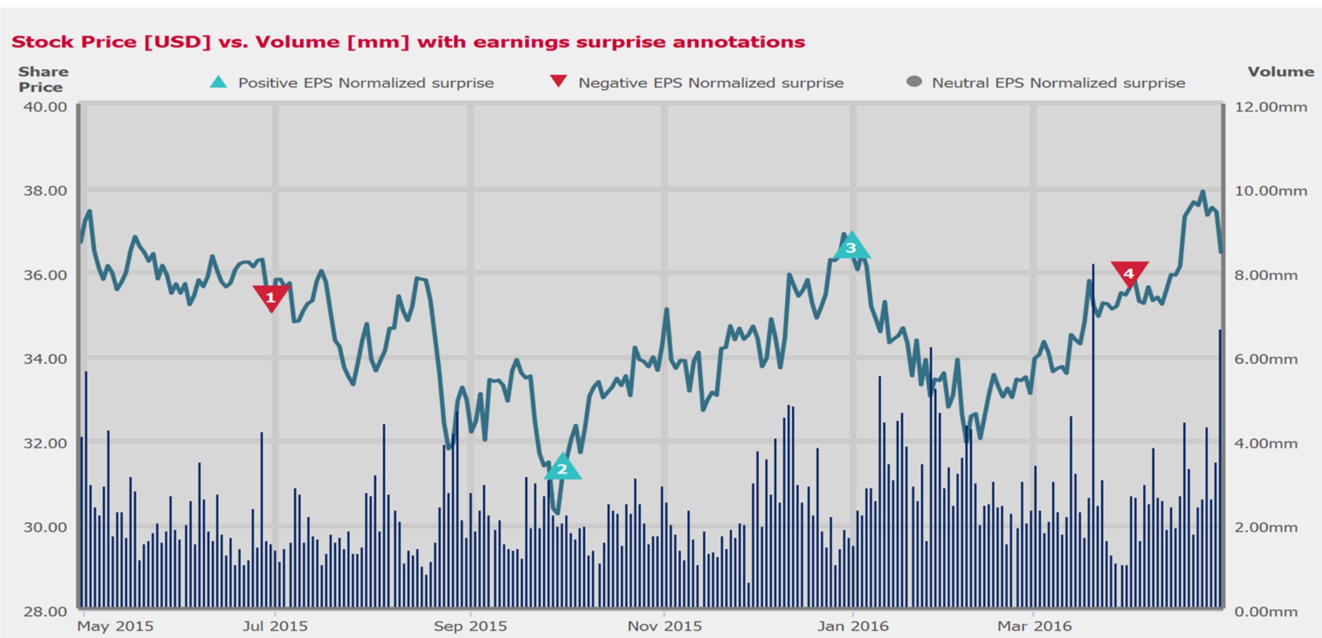
FQ1 2016 Earnings Call Transcripts

Thursday, April 28, 2016 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2016-			-FQ2 2016-	-FY 2016-	-FY 2017-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.34	0.29	▼(14.71 %)	0.51	1.84	2.03
Revenue (mm)	1881.80	1756.00	▼(6.69 %)	2191.36	8173.94	8831.92

Currency: USD
Consensus as of Apr-28-2016 1:17 PM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ2 2015	0.47	0.44	▼1 (4.26 %)
FQ3 2015	0.48	0.55	▲2 14.58 %
FQ4 2015	0.37	0.40	▲3 8.11 %
FQ1 2016	0.34	0.29	▼4 (14.71 %)

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EXECUTIVES

John A. Hayes
Chairman, President & CEO

Scott C. Morrison
Senior VP & CFO

ANALYSTS

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Clyde Alvin Dillon
Vertical Research Partners, LLC

George Leon Staphos
BofA Merrill Lynch, Research Division

Mark William Wilde
BMO Capital Markets Equity Research

Mehul M. Dalia
Robert W. Baird & Co. Incorporated, Research Division

Philip H. Ng
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Presentation

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Ball Corporation First Quarter Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded, Thursday, April 28, 2016. I would now like to turn the conference over to John Hayes, CEO of Ball Corporation. Please go ahead, sir.

John A. Hayes
Chairman, President & CEO

Great. Thank you, Lyn, and good morning, everyone. This is Ball Corporation's conference call regarding the company's first quarter 2016 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 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 on our website. With regard to Ball's proposed offer for Rexam, and consistent with the requirements of the UK Takeover Code, we will limit our comments regarding the transaction to, number one, what has already been made public via the 2.7 and other public releases; two, where we are in the regulatory process; and three, an update of ongoing economic hedging and debt activities related to the proposed transaction, including the proposed sale of the divestment business.

Also note that there may be limitations regarding the depth of our business commentary and certain other items we would normally discuss on a quarterly earnings conference call due to the nature of the proposed transaction.

Given the nature of our proposed offer, today's issued press release, webcast and conference calls are advertisements and should not be considered a prospectus. Investors should not make any investment decision in relation to the new Ball shares issued in connection with the Rexam transaction, except on the basis of information in the prospectus and the scheme document, which are proposed to be published in due course. This presentation and transcription of comments are not for release in whole or in part in, into or from any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. For more information on Ball's proposed acquisition of Rexam, visit the Offer For Rexam page on ball.com.

Now joining me today on the call is Scott Morrison, our Senior Vice President and Chief Financial Officer. I'll provide a brief overview of our company's performance. Scott will discuss financial and global packaging metrics, and then I'll finish up with comments on our aerospace business and the outlook for the remainder of 2016.

It's been an incredibly busy start to the year. Our first quarter volumes and results from operations were in line with our expectations. The headwinds from a very competitive pricing environment in China and tough first-quarter comparisons in our food and household segment, as well as startup costs from our various capital projects, all that we had mentioned in our January conference call, played out.

Overall, we are pleased with the performance of our businesses given those headwinds during a seasonally weak quarter, and Scott will go into more detail on the quarter in just a moment. I'll say, however, that other than China, most of these headwinds are behind us, and we feel momentum building in our various businesses.

Since late January, we have made notable progress to strategically and operationally position Ball for the future, including signing the agreement for the required sale of the divestment business; producing cans and ends at our new Monterrey, Mexico beverage facility; the successful groundbreaking of our aluminum impact extruded aerosol expansion in Velim, Czechia, which is expected to come online in early 2017; adding additional customers at our new aluminum impact extruded aerosol facility in India; gaining efficiencies in our new contour bottle line in Conroe, Texas and our new tinplate aerosol technology in Chestnut Hill, Tennessee; and growing our aerospace-contracted backlog, as well as acquiring Wavefront Technologies to further enhance our data and cyber capabilities.

We continue to navigate the highly complex process around the proposed offer for Rexam while keeping our team focused on things they can control day-to-day to keep our company strong and well-positioned for future growth. I, again, want to thank everyone at Ball for rising to the challenge over the past 15 months. And we feel good about the direction of our company, save for the pricing environment in China, with many of the transitory headwind issues now behind us.

Our future is bright. And irrespective of the Rexam transaction, we see meaningful year-over-year improvement through the balance of the year and beyond. We are right on track, and the best is ahead of us.

And with that, I'll turn it over to Scott for a review of our first quarter numbers. Scott?

Scott C. Morrison
Senior VP & CFO

Thanks, John. Ball's comparable diluted earnings per share for the first quarter 2016 were $0.59 versus last year's $0.69. First quarter comparable diluted earnings per share reflected the impact of $7 million in startup costs related to our sizable Monterrey project and the new tinplate steel project as well as anticipated lower volumes in our North American food business and competitive pricing in China.

The first quarter played out exactly as we said in January, with the repricing of our contracts in China, challenging comps in our food and household products business and the closeout of startup costs on various capital projects, resulting in the first quarter being soft.

Our GAAP results for the first quarter were unfavorably impacted by the economic hedges we've put in place to reduce currency exchange rate exposure, associated with the British pound-denominated cash portion of the announced acquisition price for Rexam, and to mitigate exposure to interest-rate changes associated with the anticipated debt issuances, also in connection with the cash portion of this proposed acquisition. These economic hedges allow us to lock in the transaction's purchase price economics. Details on these economic hedges are provided in Note 2 of today's earnings release.

Credit quality and liquidity of the company remains quite solid with comparable EBIT to interest coverage of 5.4x and net debt to comparable EBITDA at 3.3x, including the noncurrent restricted cash sitting in escrow for the U.S. and Euro bond placements -- from the U.S. and Euro bond placements. The company has enough committed credit and available liquidity on hand to consummate the proposed Rexam transaction and provide ongoing liquidity for the company.

For a complete summary of first quarter results on a GAAP and non-GAAP basis and details regarding the first quarter, please refer to the note section of today's earnings release, which includes a simplified table format summarizing business consolidation activities. Now moving to operations. Our metal beverage Americas and Asia segment comparable operating earnings for the first quarter 2016 were down year-over-year, solely due to China pricing, a significant swing in China volume and project startup costs related to Monterrey. Absent the startup costs in Q1 in North America, this region was up year-over-year.

As we move through the year, the cost-out programs in China will reduce the loss in this region. And despite the China headwinds, we will see year-over-year improvement across the segment in the back half of the year, as our Monterrey, Mexico can plant second line comes online and startup costs moderate, more than offsetting the impact of China pricing.

Segment volumes in the quarter were up approximately 2%, including mid-single-digit volume growth in North America, low single-digit volume growth in Brazil and China volumes being down upper-single digits as we proactively prune business due to competitive pricing.

European beverage comparable earnings were up nicely in the quarter due to aluminum premium tailwinds and strong manufacturing performance, offsetting slightly -- offset slightly by volumes being down low single digits due exclusively to soft export sales to Africa. In fact, excluding such export sales, volumes in the EU were up low single digits, in line with the overall market.

Industry demand for specialty cans across Europe continues to grow, and industry supply/demand remains balanced. Food and household comparable segment earnings were down in the quarter due to mid-single-digit food can volume declines following the prior-year benefit of certain volumes related to a past food can customer, inventory holding losses as well startup costs related to our tinplate steel aerosol project in Chestnut Hill, Tennessee.

We continue executing a disciplined cost control growth equation in the segment with cost-out initiatives, like the announced closure of our Weirton, West Virginia facility, versus incremental investments to support continued metal aerosol growth and production efficiencies initiatives in Mexico, Europe and India. These decisions will drive future quarter-on-quarter improvement for 2016 and beyond.

In summary, our global packaging businesses continue to be extremely focused on driving EVA dollars from our new capital projects as we get closer to being able to initiate the next exciting stage in our global metal beverage business.

To employees listening on today's call, thank you for all of the work on all of these projects. Our business is embarking on its next transformation, which is really exciting stuff, and the collective efforts of the entire team are critical to our shared success. Now as we look to the remainder of 2016 and reflecting Ball as a standalone company today, here's a snapshot of some key metrics -- no real changes here.

We expect free cash flow to be in a similar range as 2015, excluding cash costs related to the Rexam transaction, with CapEx expected to be in the range of $400 million and working capital expected to be generally flat year-over-year. Interest expense is expected to be roughly $145 million, excluding debt refinancing and other cost, and the full year effective tax rate on comparable earnings is now expected to be in the range of 25%.

Corporate undistributed is estimated to be in the range of $75 million, a year-over-year reduction of $17 million, and we expect our dividend to remain unchanged from its current level during the proposed acquisition process.

Exactly as we said in January, in 2016, we expect all our businesses to be up on a full-year basis, with the exception of China beverage can, with momentum accelerating as we move through the year, particularly in the second half. As we indicated back in January, and as we look to the successful closing of the Rexam transaction, we plan to focus our comments in terms of cash EPS post-close due to the large amount of intangible amortization we expect to record for the Rexam transaction.

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

John A. Hayes
Chairman, President & CEO

Great. Thanks, Scott. Our aerospace business reported first-quarter results that were relatively flat with last year. However, I'm happy to report that our contracted backlog closed the quarter $100 million higher than year-end, and even happier to report that as of this week our aerospace backlog stands at greater than $900 million, with even more opportunities for growth during the remainder of 2016.

It's taken a fair amount of patience for us to get to this point, and I want to congratulate the entire aerospace team for their hard work. More exciting, however, is what is in front of us in aerospace, ramping up on all the new contracts and integrating the recent acquisition of Wavefront Technologies.

Now across the company, and as we look forward, we are nearing the end of the marathon we began back in February 2015, and we cannot wait to step up to the starting line for the sprint to achieving synergies, cash flow growth and the higher EVA dollar generation that all of our investments can provide. As we said, we continue to face headwinds in our China business. Although going forward, it will moderate. We expect all of our other business units to be up year-over-year and feel momentum building in our business. Together, we are working hard to improve Ball in 2016 and beyond, and we look forward to the hard work that lies ahead.

So with that, Lyn, we're ready for questions.

Question and Answer

Operator

[Operator Instructions] The first question comes from the line of George Staphos with Bank of America.

George Leon Staphos
BofA Merrill Lynch, Research Division

I guess the first question I had, just from a detail standpoint, I had missed some of the volume statistics you had relayed regarding beverages. Could you -- beverage cans. Could you quickly go through that? And then to the extent that you can comment, what effect could you see from weaker beer production in Brazil as relates to your volumes? And then a couple follow-ons.

John A. Hayes
Chairman, President & CEO

Yes. George, this is John. I think what Scott had said in his prepared remarks, North America was up mid-single digits. Brazil was up low single digits. Europe was down a little bit, but that was exclusively because of exports into Africa slowing down. The Continental Europe was actually up low single digits, about 1 point, 1.5 points in line with the overall market. And then China was down upper single digits, as we pruned some of that very low margin or no margin business. From a beer perspective, in Brazil, you're right, there was some -- one of the customers did have an issue in one of their facilities. It was a little bit soft. But in our portfolio of our customers, as I said, we were up a couple percent.

George Leon Staphos
BofA Merrill Lynch, Research Division

Okay. John, I guess the other question I had, this isn't the first time that China's been a topic, not necessarily for the right reasons on one of your earnings calls. And certainly, you have company. So you're not the only participant that's had some challenges there. Are you getting to a point where you need to -- I recognize you've been already limiting capital. Are there -- are you getting to a point where you maybe need to consider other strategic options or strategies in China to improve the performance? And if so, can you provide a bit more color there? And then last one, and I'll turn it over. Obviously, a lot has changed in the tinplate market over the years. But closing Weirton, how will you manage all the metal decorating and processing that you need for your tinplate business around the rest of the country?

John A. Hayes
Chairman, President & CEO

Yes. George, let me talk a bit about China. China is a sore, and there's no hiding from that. It's getting inordinate attention at our company right now. What I'd describe is, operationally, we continue to drive a hell of a lot of costs out of the business in the range of $30-plus million this year alone. The pricing environment is just quite, quite challenging. The only thing I can really say beyond that is, strategically, we are assessing and continue to assess how to make this a better business. As you all know, we're not in the business to lose EVA dollars. And so it's a very high focus for us. On the tinplate side, there has been a lot of change in that business. I think the Weirton, West Virginia closure, while unfortunate, allows us to spread a lot of that cutting and coding capability into other facilities. And that's exactly what we're doing. So it's a capacity rationalization play at the end of the day, getting closer to our customers.

Operator

The next question comes from the line of Ghansham Panjabi with Robert W. Baird.

Mehul M. Dalia
Robert W. Baird & Co. Incorporated, Research Division

It's actually Mehul Dalia sitting in for Ghansham. It looks like InBev is adding some additional specialty can capacity via their metal container subsidiary. We've seen some other customers do that as well. Are these sort one-offs? Or is it basically the customer not being happy with how fast the industry is adding capacity in North America? What are your thoughts on that?

John A. Hayes
Chairman, President & CEO

Well, I think what I'd say is Anheuser-Busch InBev have been in the can business for 25, 30 years now, and they have an asset base that they continue to look -- and we're aware, obviously, that they're putting bottles in. They're the only one who make the bottles for themselves. As you know, we actually have a large and very growing bottle portfolio in ours. And so I'm not -- I think these are more one-offs than systematic. And that's how we're viewing it. They're looking at making their own needs for their own capacity.

Mehul M. Dalia
Robert W. Baird & Co. Incorporated, Research Division

Okay, great. And how much did you spend on startup costs in 1Q? And how much are you expecting in 2016? And also, can you just remind us how much you spent in 2015? Just trying to see what the delta is year-over-year.

Scott C. Morrison
Senior VP & CFO

In the first quarter, the startup costs were around $7 million. I think last year, they were a little over $20 million. For the remainder of the year, they should start to moderate. We'll still have a little bit of startup in the second quarter as we get our second line at Monterrey ramping up. And -- but then as we get to the second half of the year, it'll moderate quite a bit.

Mehul M. Dalia
Robert W. Baird & Co. Incorporated, Research Division

Okay, great. And just one last one, acquisition-related, if I can. What kind of tax leakage are you expecting from the divested assets to Ardagh?

Scott C. Morrison
Senior VP & CFO

We're still in the planning phases on all that. So it's really not appropriate to comment at this point. But there's a number of things. They have some NOLs that we'll take over that will dampen the tax leakage. But right now, we're not prepared to give you any specifics.

Operator

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

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

Just of the decline in Americas and Asia, could you break out a little bit from what was China? And were the -- the $7 million of startup costs, was that all from Monterrey? And was that all in the segment or was there also, I think, some in steel aerosol?

Scott C. Morrison
Senior VP & CFO

Yes, there's -- the $7 million in that segment is Monterrey. There was also a couple million on the food side. But -- and all the rest of that is really China, the pricing swing from year-over-year, repricing inventories as you come to the first quarter. So you take kind of a double hit. And that's why, as we move through the year, the loss will moderate and the cost-out actions start to take hold. And so you'll add -- it'll have less of an impact as we move through the year. And then with the investments that we're making that come online here, as we move through the year, those will more than offset the China pricing in the second half of the year.

John A. Hayes
Chairman, President & CEO

The investments in Monterrey...

Scott C. Morrison
Senior VP & CFO

Yes, I'm sorry. Right.

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

Okay, great. And Scott, did you say, I guess starting in the third quarter, profits in the segment would be up year-over-year, both in 3Q and 4Q?

Scott C. Morrison
Senior VP & CFO

Yes, that's correct.

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

And is that -- I mean, do you think -- I don't know, second quarter but could profits sort of for the segment would be up for the entire year, do you think?

Scott C. Morrison
Senior VP & CFO

We have to wait and see how volumes shake out. I think it'll be -- there's probably still a little bit of a drag just because, again, some startup costs in Monterrey will still continue in the second quarter. It gets closer, but then the back half of the year looks meaningfully better.

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

And final question. Brazil, for the remainder of the year, just given sort of your mix and the conditions down there, I mean, any thoughts on what volumes could look like for the year?

John A. Hayes
Chairman, President & CEO

Yes, it's -- we're starting to go into their seasonally slow period of time. And so we -- as we said in the beginning of the year, we expected modest growth, not necessarily from overall volume, but from share mix relative to glass. And we're still seeing that happen. As we enter the seasonally slow, I do think we're going to get a very modest uplift because of the Olympics. Remember, that's just in Rio. But Rio is a very densely populated area. So I don't think our views of 2016 have changed, materially, at all from when we were on the call in January.

Operator

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

Clyde Alvin Dillon
Vertical Research Partners, LLC

John, with everything going on, I think I want to ask you a question about aerospace. You said -- I know on the last call that I think the backlog was like, literally, it looks like it's grown 50%. It was, what, $617 million. Now it's over $900 million. And I know you gave us some sign that you thought -- you made some mention of like $800 million in near-signed business. And so the question is, have things really kicked in a little bit stronger than you would have expected 3 months ago or 6 months ago for that business in terms of the backlog? And maybe you could comment a little bit on the quality of the backlog. What proportion's fixed price versus cost-plus?

John A. Hayes
Chairman, President & CEO

So your first question, has anything changed relative to our expectations, the short answer is no. You always have timing issues of when you get signed because some of it's out of our control when you have to have various government agencies go through their approval processes. We've had some in the first quarter, some in April, as you heard. And even as we expect going into the June, July, whether it's June, whether it's July, I can't tell you right now. But I know that we still have a fair amount of projects that we call "won not booked," which is not in our backlog, but we've won it. It's just we have to go through the signatory process and the funding process with the government. So nothing has changed on that front. From a mix perspective, I think I talked about this on the January call. There's not an appreciable difference in the mix relative to fixed price versus cost-plus. There could be a little bit more of cost-plus in the overall scheme of this new business won, only because a lot of it's new technology, which I think is good. And our folks have been executing very well on those types of things. So a lot of it's in the DoD, which is both from a satellite perspective as well as a sensor perspective. And then also in the NASA side, where we haven't done a tremendous amount with NASA because their budget's been so constrained. But we've been able to do a very good job or weave our way back into that and are doing several neat things for NASA as we go forward there.

Clyde Alvin Dillon
Vertical Research Partners, LLC

Okay, that's helpful. And then just a quick one, a follow-up, is on -- when you look at the guidance items that Scott gave us, whether it's EBITDA, et cetera, there's no change from the last call. And you did mention that things kind of progressed as you thought they would in the first quarter, but maybe a little weaker than what the consensus was looking for. And I guess the question is, does your full-year outlook on the -- is there any reason the EPS -- and again, this is a little bit of, hopefully, a fiction question because of the change that will take place there in June. But leaving that aside, would your earnings per share view have changed since January? In other words, would there maybe have been a small shift out of the first quarter into the back 9 months of the year?

John A. Hayes
Chairman, President & CEO

I'll take this, and maybe Scott can chime in. Nothing has changed relative to our expectations. We had said in January that we expected the first quarter to be soft given China repricing, given the year-over-year comps in food and household products and then the startup in the first quarter that, as Scott mentioned a minute ago, would begin to wane as we get into the second quarter and, certainly, the second half of the year. So nothing has changed from that perspective. I will say this. It is a bit challenging for us. And I have said this for a year now in our opening comments, that given the UK Takeover Code, we have certain restrictions on what we can say in terms of profit forecast. And that does create some challenges for us to be able to articulate and communicate in a way that we normally would do so. So -- but to answer your question directly and to reiterate it, nothing has changed from our perspective.

Operator

[Operator Instructions] The next question comes from line of Philip Ng with Jefferies.

Philip H. Ng
Jefferies LLC, Research Division

Glad you were able to reiterate your synergies, but where were you -- some of the upside coming from since the amount of assets being divested, it's a little larger than I expected? Also, can you talk about some of the working capital saving potential? If we look at the key working capital metric for Rexam versus Ball, there seems to be a pretty sizable opportunity.

Scott C. Morrison
Senior VP & CFO

The synergies, they're really the same buckets we've been talking about all along. There's 4 different buckets, G&A, manufacturing, sourcing and kind of best practices. So those haven't really changed. The buckets haven't really changed either. There's always a little bit of puts and takes. But essentially, it's the same as we thought 15 months ago when we first started talking about it. On the second part of that question, working capital, yes, that's obviously one of the areas that we expect to get after, right after close. We manage our balance sheet every day of the year. And so that's one area in which we think there could be a meaningful amount of cash taken out over the course of some period of time, probably a year or 2.

Philip H. Ng
Jefferies LLC, Research Division

Okay. But you wouldn't expect anything structural from Rexam assets, where you wouldn't be able to kind of flex the working capital initiatives you have, legacy Ball, right?

John A. Hayes
Chairman, President & CEO

Again, I think we have to stand by what Scott said given the Takeover Code rules.

Philip H. Ng
Jefferies LLC, Research Division

Okay, got you. And I guess, another question for Scott. How are you guys thinking about leverage longer-term? Is there like a threshold you want to keep in terms of like 3x, 2.5x going forward post this deal? And how should we think about your ability to buy back stock from a timing standpoint?

Scott C. Morrison
Senior VP & CFO

Well, I think we're going to lever up here at the close, and it's also the kind of the peak of our working capital borrowing season. So it'll be a little bit higher. The game plan is to drive that down closer to 3x before we start buying back stock. But because the asset sale was a little bit larger than what was probably initially thought about, we'd probably get to that leverage area a little bit quicker, where we can start buying back stock faster. Longer-term, once we get through all of this and get those synergies, then we'd look at our capital structure and we'll think about where we want to be longer term.

Operator

The next question comes from the line of Mark Wilde with BMO Capital Markets.

Mark William Wilde
BMO Capital Markets Equity Research

Is it possible, Scott, to get any sense of just how much the aluminum premiums helped Europe in the first quarter? Those guys really gave you a nice going-away present.

Scott C. Morrison
Senior VP & CFO

Yes. It was a little more than EUR 10 million in the first quarter.

Mark William Wilde
BMO Capital Markets Equity Research

Okay, all right. And then, John, you said really, nothing had changed since January. But has the situation in China actually been even worse than you might have expected or weaker than you might have expected?

John A. Hayes
Chairman, President & CEO

Well, yes. So what I said is from a financial point of view, what our expectations are relative to what's involved: nothing has changed. The one other thing in China that has -- that was a headwind that we haven't really expressed, explicitly, was the volumes being softer. Some of that was that we consciously made a decision that we're not making cans for practice. The overall China market has slowed down a little bit. It's still growing, don't get me wrong, but I think those 2 things create an environment where our volumes were down. And that was a headwind in addition.

Mark William Wilde
BMO Capital Markets Equity Research

Okay. The last thing I had, I know you've said the main focus for you is the startups and then integration of Rexam over the next couple of years. But if you looked a little further down the road, what are the most interesting opportunities if you look 2, 3, 4 years down the road in terms of opportunities to create value at Ball?

John A. Hayes
Chairman, President & CEO

You know what? If I could ask you, please, let's park that until after we close the transaction. And then we will make sure that we are going to be very, very much communicative in what we see in terms of the next 1, 3, 5 years, both operationally and strategically.

Operator

[Operator Instructions] The next question is a follow-up from the line of George Staphos with Bank of America.

George Leon Staphos
BofA Merrill Lynch, Research Division

Two questions again. Recognizing it's not your largest segment, on food and household can you comment at all as to whether there's been any adjustment in pricing this year related to things like meat comp clauses and that sort of thing? Or has pricing been relatively stable? Or if it's not, has it been purely just pass-through of metal? And I had a follow-on, again, to the extent that you can comment.

John A. Hayes
Chairman, President & CEO

Yes. As you know, we run a pass-through model, and that's really the only thing that's been going on. The pricing environment's been relatively stable.

George Leon Staphos
BofA Merrill Lynch, Research Division

Okay. And then the last question I have, and back to Weirton conceptually, in the past, when we've seen companies adjust their metal decorating footprint, it's a tricky practice. And there've been times where capacity have been moved from one facility to another, and the initial stages don't go as smoothly as expected. What are you doing now given, again, all the irons that you have in the fire in managing the metal decorating process such that when it does come up, the coding, the printing, not that there's a lot of printing done on the food side anymore, but comes up to spec?

John A. Hayes
Chairman, President & CEO

Yes. George, you raise a good point. What I will point out is over the last 18 to 24 months, we have not been performing well in that part of the business so as -- in Weirton. And so as a result, we've already had to move some things into other facilities. And so that's -- I think most of that's behind us. There's always a level of complexity that when you're taking a facility out and having to redistribute volumes. But a lot of that's already been happening because of the performance in Weirton.

Operator

The next question comes from the line of Chris Manuel with Wells Fargo Securities.

Christopher David Manuel
Wells Fargo Securities, LLC, Research Division

Just a couple of questions for you. One, if you could, I hate to keep coming back to the China and the other piece. But if I maybe try to approach it from the perspective of your segment was down, I think, $23 million year-over-year. If you could kind of give us buckets and maybe size them? Is that -- 1/4, 1/3 of that currency is -- I think you said startups were about $7 million. So I'm guessing that's about 1/3 of it. Was China kind of the other bucket? Or how, Scott, would you want us to think about that?

Scott C. Morrison
Senior VP & CFO

Yes. No, you had it exactly right. China was the other part of that, both from a pricing standpoint and a volume standpoint. And I mentioned earlier, as you had to lower prices, you had to lower the value of the inventory. So that's why you took a little bit bigger hit in the first quarter than what you'll see as we move through the year. And then the cost-out actions will start -- will continue to gain momentum as we get into the back half of the year. And so for that segment, in total, the back half of the year looks better.

Christopher David Manuel
Wells Fargo Securities, LLC, Research Division

Okay. But is it about 1/3 of the delta? Does that sizing sound right? Or am I thinking about it incorrectly?

Scott C. Morrison
Senior VP & CFO

Yes, your sizing was right. It was roughly $7 million in startup costs.

Christopher David Manuel
Wells Fargo Securities, LLC, Research Division

Okay. Well, I thought I -- the reason I'm thinking about it is I thought I heard you mention earlier, too, that you had about $30 million of costs you had taken out in China. And that just sounded like a really, really big number.

John A. Hayes
Chairman, President & CEO

It is a big number. That's a full year number. That wasn't for the first quarter. That was for the full year. But as I said, the unfortunate thing is that we've been making a lot of great progress in our North American business and in our South American Brazilian business, and it's being masked by China. That is why I said that, operationally, we're driving the hell out of costs there because we've got to get our costs as low as possible. But then, strategically, we have to assess how we make this a better business.

Christopher David Manuel
Wells Fargo Securities, LLC, Research Division

All right. So the $30 million of cost-out is a reference for the whole segment?

John A. Hayes
Chairman, President & CEO

For the whole year for China.

Scott C. Morrison
Senior VP & CFO

For the whole year for China.

Christopher David Manuel
Wells Fargo Securities, LLC, Research Division

Wow. Okay, that's incredibly impressive. Okay.

Scott C. Morrison
Senior VP & CFO

Yes, our folks are doing a heck of a job. It's just disappointing that the pricing environment is so bad.

Christopher David Manuel
Wells Fargo Securities, LLC, Research Division

Okay. No, that's very impressive for the kind of the size of the business. If I could switch gears a second and talk a little bit about Mexico. I mean, I know you've got a number of customers tied to the plant and the multi-lines you're sticking in there. But one of the -- probably the biggest one in the region, I think, you're tied to is experiencing some delays we've read in bringing the brewery up online. How does that or does that change anything with respect to what you're doing in bringing capacity onstream? Do you still provide the cans regardless of who's brewing the beer? Or how does that process work?

John A. Hayes
Chairman, President & CEO

Yes. No, let's put this in context. They're not experiencing delays. They're growing so fast that they can't keep up with their demand. That's what's happening. And so as they build out their existing facility and they've announced a new facility, we are supplying them a significant amount. I forget their growth rates not only as beer, which is very strong. It's a strong -- fastest-growing beer company, I think, in the world right now. But then they are under-weighted to cans. And so there's a double benefit for us. And so our business is going as fast as they can take them.

Christopher David Manuel
Wells Fargo Securities, LLC, Research Division

So perhaps, I know you've got one line in now. I think you're starting a second. I think you may have sized it for 3. Is there a reasonable opportunity to build out the whole layout in the next 12, 18 months?

John A. Hayes
Chairman, President & CEO

We believe there is, and we'll talk more about that when we can.

Operator

[Operator Instructions] Mr. Hayes, it appears at this time that there are no further questions on the phone lines.

John A. Hayes
Chairman, President & CEO

Great. Well, thank you all for listening in. And as we said, we look forward to speaking to you later on this summer in much more earnest conversation.

Operator
Thank you. Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines. Thank you, and have a good day.