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CORPORATE PARTICIPANTS

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

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

Scott C. Morrison Ball Corporation - Senior VP & CFO

CONFERENCE CALL PARTICIPANTS

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

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

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

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

Chip Alvin Dillon Vertical Research Partners, LLC - Partner

Deborah Anne Jones Deutsche Bank AG, Research Division - Director

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

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

Mark William Wilde BMO Capital Markets Equity Research - Senior Analyst

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

Neel Kumar Morgan Stanley, Research Division - Equity Analyst

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

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

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Ball Corporation Fourth Quarter Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded, Thursday, January 31, 2019.

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

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

Great. Thank you, Chris, and good morning, everyone. This is Ball Corporation's conference call regarding the company's full year and fourth quarter 2018 results.

The information provided during this call will contain forward-looking statements, including estimates related to the impact of the U.S. Tax Cuts and Jobs Act. Actual results or outcomes may differ materially from those that may be expressed or implied. Some factors that could cause the results or outcomes to differ are in the company's latest 10-K and in other company SEC filings as well as company news releases.

If you don't already have our fourth quarter earnings release, it's available on our website at ball.com. Information regarding the use of non-GAAP financial measures may also be found in the notes section of today's earnings release. The release also includes a table summarizing business consolidation and other activities as well as a reconciliation of comparable operating earnings and diluted earnings per share calculations.

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

2018 was a strong year for Ball and its shareholders. Strong global demand for our aluminum beverage and aerosol packaging products, growth in our aerospace business and a strong long-term focus on earnings and cash flow performance allowed us to return approximately $850 million to our shareholders, which was well above our original expectations dating back to 2016.

Our fourth quarter results were slightly below our own expectations due to some transitory issues in our North and Central America beverage segment that Dan Fisher will comment on. Yet as we look forward, we like the position we're in. We have good momentum in terms of our volume growth. We'll begin to reap in earnest the footprint activities that we have implemented and largely completed. We have a clear line of sight to achieve the $2 billion in EBITDA and $1 billion in free cash flow that we set out as a target in 2016, we just need to execute. And all of our free cash flow will be returned to our shareholders in the form of dividends and share repurchases.

During 2018, we continued to actively adjust our overall manufacturing footprint. And since we closed on the Rexam acquisition, we have rationalized 8 facilities globally, with 4 in the U.S., 2 in Brazil and 1 each in Germany and in Italy. We started up 3 state-of-the-art beverage can facilities in Arizona, Spain and our joint venture in Panama to cost-effectively meet growing demand in these regions. We've installed or are installing additional specialty can capacity with new lines in our existing facilities in Argentina, Chile, Switzerland, Serbia, Texas and Mexico, in addition to a number of other smaller speedup projects.

We've grown our aerospace backlog 26% to over $2.2 billion while also growing headcount by over 35% to approximately 3,700 people, and the company continues to expand our aerospace infrastructure to meet growth of this important segment. We've divested our U.S. steel food and aerosol business into a 49% owned joint venture and realized approximately $600 million in cash, and we announced the sale of our Chinese beverage can business.

As we look more deeply into 2019, we are on the cusp of achieving better value for our standard beverage can products as the majority of our negotiations for the next 18 months are largely concluded with much of this value to be received beyond 2019. We are well invested to capture the global growth for our specialty product portfolio. We are benefiting from the final phase of initial acquisition-related cost-out programs. We are embarking on additional efforts to streamline global processes. We're commercializing the sustainability benefits of aluminum packaging to provide our customers solutions versus environmentally challenged substrates, and we are initiating additional products to further expand our aerospace infrastructure and testing capabilities.

As we go forward, we will continue to execute our long-term strategy of growing earnings over time through increasing revenues above our cost growth by focusing on our value over volume strategy in standard containers, driving more mix shift to specialty containers, further developing innovative aluminum packaging products and expanding aerospace, all with an EVA and return of value to shareholders mindset.

Ball is uniquely positioned to lead sustainable growth in global aluminum packaging and aerospace while also continuing to return significant capital to shareholders following the board's recent $50 million share repurchase authorization as well as achieving the 3 1/2-year plan we laid out in mid-'16 of comparable EBITDA and free cash flow of $2 billion and $1 billion, respectively.

Thanks to all of our employees who helped our company achieve these results as well as win numerous customer awards and recognitions, including inclusion on the Dow Jones Sustainability Index and the recent humbling recognition of being ranked #1 on Forbes magazine's list of America's Best Employers for Diversity. All of this is possible because of our people and our culture. We're proud of our 139-year history, and we'll continue to do what's best for Ball and its shareholders' long-term success.

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

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

Thanks, John. Our global beverage business comparable operating earnings were up 3% year-over-year on full year global volume growth of 2%, offset somewhat by plant start-up costs, higher freight and the late year plant inefficiencies.

Our global teams kept pace with notable growth in Europe, Russia and North America which, at times, also created some operational and logistic inefficiencies given an oversold U.S. industry and strong demand in the U.K., Nordics and Russia. We left some money on the table in 2018. And with new plants now 80% to 90% up their learning curves, that should flow through in 2019.

Moving to the individual segments. Ball's North American segment volumes were up 4% in the quarter. New categories led the way, with wine, sparkling water, craft and spiked seltzers experiencing double-digit growth. And 2018 was truly a tale of 2 halves. Demand lagged in the U.S. during the first half as mass beer slowed. While in contrast, other customers struggled to properly gauge consumer demand for new product introductions during the busy summer selling season, ultimately leading to tight supply-demand for specialty cans in the second half, leaving little room for error.

At the same time we were experiencing such growth, a U.S. aluminum supplier struggled to provide quality metal to us, and this issue wasn't resolved by year-end 2018, leading to plant network inefficiencies late in the year, resulting in our North American business producing lower-than-expected results despite strong volume growth. So far this year, the supplier is delivering metal we can run and our plant efficiencies in the affected plants are improving.

In order to ensure that this does not occur again, we have focused our efforts on ensuring that our metal supplier is doing the necessary things to deliver quality metal on time, exploring other metal options despite the aluminum tariff situation and by working with our customers to lay down safety stocks in the seasonally slower part of the year and ahead of what we anticipate will be a very strong year in North America.

Given our customers' current demand profiles, we anticipate selling 2 billion more units in 2019 while also reaping the net $50 million of fixed cost savings following the successful decommissioning of 3 plants and ramp-up of our 4-line specialty plant in Goodyear, Arizona.

Turning to our South American segment. As expected, our Brazilian volumes were flat versus the industry being up 6% in the fourth quarter. Ball's 2017 decision to forgo some can business in Brazil and the completion of the ends manufacturing contract, required as part of the Rexam transaction, led to lower fourth quarter and full year earnings. Looking forward, the second half 2018 trend will continue in first half of 2019 until we anniversary these items.

Overall, the South American industry trends remain strong with cans being the favored package in the beer, tea, energy and hard alcohol categories. Our expansions in Argentina, Paraguay and Chile are on track, and we are excited about the can continuing to be embraced by customers and consumers across South America. With these expansions benefiting second half 2019, full year 2019 should be roughly in line with full year 2018 performance.

European beverage earnings were up 29% year-over-year in the fourth quarter and 21% for the full year. Volumes increased 10% in the fourth quarter and 8% for the full year. Cans are winning as customers shift their package mix away from plastics and into cans. Tailwinds such as this, the new facility in Spain coming online successfully and the closure of our 1-line San Martino, Italy facility earlier than planned, led to a strong finish in 2018.

As we look forward, continued good market growth, the addition of 2 new lines in Switzerland and Serbia, along with several other specialty line conversions scheduled to be brought online in early 2019, the year-over-year impact of our 2018 G&A improvement and plant cost initiatives will provide further earnings growth and margin expansion in 2019.

Turning to AMEA and Asia. The demand environments in Turkey, Egypt and India improved, but were offset by regional volatility and poor operating performance in our Saudi joint venture, which led to meaningfully lower volumes in the region and operating earnings down by more than $20 million year-over-year.

And in China, the business remains cash flow positive and Ball continues to actively manage the business ahead of its sale to ORG, which, following regulatory approval, should close in the second half of 2019.

In summary, global beverage can demand remains robust in our 3 key regions of North and Central America, Brazil and Europe. Supply-demand for U.S. standard containers and certain specialty sizes is tight, and commercial and sustainability initiatives will benefit Ball going forward.

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

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

Thanks, Dan. Comparable full year and fourth quarter 2018 earnings were $2.20 and $0.55, respectively. Details are provided in the notes section of today's earnings release and additional information will also be provided in our 10-K.

Fourth quarter comparable diluted earnings per share reflect solid operational performance across our businesses, a lower effective tax rate than expected and slightly lower corporate costs, offset by the sale of our U.S. steel food and aerosol business and lower year-over-year performance in North and South America, as Dan just outlined.

From an overall cost perspective, our people have been doing a great job with our SG&A as a percent of sales at an industry-leading 4.1% for the full year. Also, we mentioned on prior calls the timing of the U.S. steel food and aerosol sale versus the timing of using the proceeds to repurchase shares was slightly dilutive to earnings in the second half of 2018.

Net debt ended the year at $6 billion, and we anticipate year-end 2019 net debt to remain around $6 billion as we continue to actively buy back stock and pay dividends throughout 2019. Close to 90% of Ball's balance sheet debt is at fixed rates, and we have reached our post-Rexam target leverage levels with net debt to comparable EBITDA at 3.3x as of year-end, leaving us well positioned in a rising interest rate environment.

Our 2018 stock buyback exceeded $700 million, and we paid approximately $140 million in dividends. In 2019, we expect to buy back $1 billion of stock and pay roughly $135 million in dividends. As of yesterday, we have already acquired roughly $100 million of stock in 2019. Looking forward and including 2018, our plan is to buy back approximately 18% of our outstanding shares by mid-2021 or approximately $1 billion of stock annually in 2019, 2020 and 2021. Once completed, we will have successfully repurchased the 75 million shares issued to execute the Brazilian JV and Rexam acquisitions.

As we think about 2019, we continue to expect full year comparable EBITDA of $2 billion and free cash flow in excess of $1 billion after CapEx in the range of $600 million. Full year interest expense of approximately $300 million and the full year effective tax rate on comparable earnings will be in the range of 24% for all of 2019 and corporate undistributed should be roughly flat with 2018 levels. By investing in our businesses, pursuing bolt-on M&A, repurchasing stock and paying quarterly dividends, we continue to put the cash machine to work for the long-term benefit of our fellow shareholders.

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

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

Great. Thanks, Scott. In 2018, our aerospace business reported 21% revenue growth and 15% operating earnings growth on solid contract performance, partially offset by the start-up and ramp-up of many of these new contracts and new hires. As part of this, we welcomed 900 new aerospace employees, of which 42% were diverse hires.

Given recent contract wins, we anticipate adding at least another 600 employees over the next 12 months. The entire management team has done great work to ensure our new people are onboarded, mentored and trained, our existing people feel part of the success, our facilities are fit and ready for the added throughput, and our processes are redesigned and resilient enough for the higher standards expected, all while delivering on our financial commitments.

Looking forward, aerospace is poised to grow earnings in the range of 15% in 2019. And with contracted backlog levels exceeding $2.2 billion and our won-not-booked backlog at $4.7 billion, the future looks bright for at least the next 3 to 5 years.

As a corporation, I truly believe we are positioned for long-term sustainable growth. We continue to manage our asset base with an EVA mindset. We are leading more efforts on our sustainability initiatives to ensure our aluminum packages are positioned as the environmental solution for our customers' brand portfolios, and we are supporting the rapid growth of our aerospace business.

We're controlling the things we can control and managing headwinds and leveraging our strong free cash flow to invest for the long term and consistently return value to shareholders via share buybacks and dividends.

We continue to reaffirm our 2019 goals of $2 billion of comparable EBITDA and free cash flow in excess of $1 billion. And in 2019, we look forward to exceeding our long term 10% to 15% diluted earnings per share growth goal.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Anthony Pettinari with Citi.

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

Yes, I was wondering if it's possible to quantify the impact of the supplier issue in North America for 4Q and maybe for 1Q if there's an early view there. And then you spoke about steps you're taking to kind of guarantee supply going forward with your suppliers. Do those initiatives -- is that -- does Ball incur costs as part of those initiatives or just any kind of color you can give there would be helpful.

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

Sure. In the fourth quarter, as I said in the comments, in the first quarter, I don't anticipate any ongoing inefficiencies. This was really marked by late October/November. One supplier, and it's a toll relationship with a customer, approximately $10 million of the impact is centered around that. Now we're in discussions with this particular supplier and the customer and hope to kind of reconcile that issue. And the only issue there was we couldn't get to the -- a proper accounting treatment in the fourth quarter to recognize the offset.

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

Yes. I'd just add on to that. Those are the direct costs and there's many other indirect costs because it forced freight rates to be higher because various plants were down as a result of that. And so that's just the direct cost, but I think it probably had twice the -- double that [amount] was for the full impact, what happened in the fourth quarter.

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

Okay. Okay. So it sounds like there's still an impact for out-of-pattern freight in 4Q. I guess same question, for 1Q, has that kind of dissipated or is there still freight headwind in 1Q?

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

No, not ongoing in 1Q. And to answer your other question, we do have people that are certainly supporting the ongoing efforts there, but you're talking about 4 to 5 folks. And there's no ongoing cost by us to help support that initiative.

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

Okay. Okay. That's helpful. And then maybe just one quick one for Scott. I'm sorry if I missed this. But for the full year free cash flow guidance, is there assumption on working capital embedded in there?

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

There's not much. We've gotten tremendous benefits in the last couple of years so there's not much benefit expected from working capital on those numbers for $1 billion of free cash flow in 2019. It's really the earnings growth, kind of tax effect the earnings growth and then a couple hundred million dollars less in CapEx from this year to 2019 gets you to the $1 billion or over $1 billion.

Operator

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

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

I guess the first question I had is around growth. And so in the last quarter, we saw some interesting patterns in terms of can shipments in some of the end market data. One of the things that we had heard recently is you're seeing some pickup in beer consumption, partly driven by the new labeling as consumers are starting to sort of look at beer versus alternatives. Are you hearing that or not really from your customers? And then relatedly in terms of growth, there was a big pickup in can growth in the fourth quarter in nonalcoholic. It would seem that most of that was around the newer beverages, categories that you cited, but how much of that is also -- at least a part of it was. And how much of that do you think is being driven more by sustainability and the shift out of plastic to cans specifically within North America? And I had a couple of follow-ons.

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

Sure, George. This is Dan. I would say, we didn't see any -- in North America, specifically in big beer versus craft beer versus the other beer categories. We didn't see anything markedly different in cans than what we've been seeing for the last several years. Craft beer continues to grow. Cans continue to win share there. I would say the new alcoholic categories and the new nonalcoholic categories and product launches, those are disproportionately coming out in cans. And that we've got IRI data and even Euromonitor data that would suggest that, that's a pretty sizable shift from new product launches even 18 months, 24 months ago. We would believe that's sustainability-influenced. Our customers aren't telling us that specifically, but everything would indicate -- they're launching new products in specialty can sizes. They're garnering better price points. And I don't know why they would continue to build on an already huge issue for a couple of the large CPG companies by launching new products in PET. So that's our view is that is a sustainability move. I think it's fairly significant. And we think that's got a lot of tailwind for a longer period of time.

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

Okay. I mean, it remains to be seen, but we're hearing that even the megabeer guys are starting to see some pickup in demand. We'll see if it plays out actually or not. In terms of, John, if you could...

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

Definitely in other parts of the world, we're definitely seeing hectoliter expansion for the first time in Russia, for the first time in Brazil. And I think they're putting more dollars behind the promotional and advertising in big beer in North America, tail end of fourth quarter and what we've seen to start the year. But whether that trend continues and for how long, that will be something we'll keep our eye on.

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

Okay. John, if you could repeat again what you were saying about your value over volume efforts, the commercial activity, the progress, I think, that you've seen so far. I think you mentioned that some percentage, some large percentage of your contract renewals for the next 18 months are largely done. Can you go back over the details there that you had in your formal comments and what implications we should be drawing from that, to the extent that you can, related to our own forecasting of Ball's results?

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

Yes. George, as I said, I think I'll be repeating myself. But the vast majority of our contracts that come due in North America over the next 18 months are largely concluded. Have we signed the agreements? Not necessarily, but we've reached commercial agreement and now we're getting to the documentation thereof. As you know, many of those kind of kick in at the end of '19 going into 2020, and that's why I said the majority of the value of that will come after 2019.

Operator

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

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

I think you said before that your freight transportation costs in the U.S. had flattened out. But when we look at the recovery from 2018 when you had fairly significant headwinds on freight costs, are you able to recover meaningful amounts of that in 2019 based on the current pass-through mechanisms you have or do you have to wait more until 2019 when you get contract resets?

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

No, Scott, this is Scott Morrison. We have PPI escalators in our contracts, specifically in North America, that will -- there's a catch-up to it. So we'll catch up with the PPI escalation and we're seeing moderation of those other headwinds.

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

Okay. Dan, when you mentioned some weakness in Saudi Arabia, I mean, I think you said Turkey, Egypt, India all improved, but Saudi was still weak. Is that a new trend or is that just a continuation of the sugar taxes that were put in place -- soda taxes that were put in place in Saudi Arabia over the last year or so?

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

Yes, just a continuation of the sugar tax degradation in that area. Everyone else is -- and we feel like it stabilized in Q4 and starting off on a decent foot, but just a stabilized environment. We're not going to see any appreciable uplift in that country or our JV relationship there for a period of time still.

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

Yes. And Scott, this is John. Just financially, I'd just point out, you can clearly see that in the equity line where -- that you see the negative impact of that. And Ann can provide you more details.

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

All right. Last one for me. Just in the prepared remarks, you mentioned 2 billion units of volume growth in North America. Can you remind us what the 2018 number of units in North America were? And then on that volume growth, should we assume that most of that is actually coming in specialty versus 12-ounce?

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

Yes, I think it'll continue to be a similar composition from a specialty standard can [perspective]. Probably a little richer on the specialty as those are the new lines that we put in place. We were kind of mid- to 46 billion approximately in terms of unit volumes sold. So you put 2 billion on top of that in North, Central America.

Operator

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

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

This is actually Matt Krueger sitting in for Ghansham. So my first question is, can you provide a bridge from the $1.83 billion in EBITDA generated during 2018 to the projected $2 billion for 2019 just in terms of any major puts and takes like volume contribution or cost-savings initiatives, et cetera, et cetera?

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

Sure. Let me take a shot at that. So if you think about aerospace, given their growth, we expect them to be up $30-plus million in EBITDA. So you're starting at $1.830 billion. So that's $30 million. North and Central America, we talked about $50 million of fixed cost savings on a full year basis, 2 billion more units of volume with better mix and the rest is the PPI pickup that I mentioned earlier and moderation of headwinds. All that told should be something in the neighborhood of $125 million on a full year basis. Europe, we've been able to -- they've done a great job of improving their margins year-on-year. We'll get probably another $40 million of growth in EBITDA from both cost out and volume growth. South America is probably pretty flat. And then AMEA and Asia, up a little bit. So kind of a slight positive when you combine those together. And then aluminum aerosol up probably $10 million and a little bit of upside in corporate costs. And you have the absence of the tinplate business for 7 months. So all that tolls to a little bit over $2 billion.

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

That's very helpful. And then just expanding a little bit on the cost-savings programs. How should we expect the $50 million in cost savings to flow through the North America business kind of on a quarterly cadence? And then can you detail any of the other cost-savings initiatives that we should expect to impact 2019 region-by-region in a similar fashion?

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

Yes, I would say, in North America, all of the facilities are shuttered and our Goodyear facility is probably closer to 90% through the start-up phase. So absent any kind of marginal cost impact in Q1 as the continued ramp-up for our Goodyear facility, you should see that almost on an annualized basis streamline throughout the year, the $50 million.

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

And then maybe qualitatively on the other cost initiatives. If we go through Europe, as Scott and Dan had mentioned, Europe's done a very good job from a cost out within the plant perspective. We have the San Martino that came down towards the end of the year, and we also have a lot of transformation from a G&A perspective. And as Scott alluded to, we've done a very nice job overall as a corporation on the G&A and particularly in Europe, so kudos to all of them.

I think in South America, we are lapping, as Dan said, some headwinds in terms of the ends contract as well as forgoing some of the business that we were benefiting in the first quarter and even first half of last year, but they've done a great job on the cost side. And I think we're going to have some headwinds year-over-year in the first half of this year, but you're going to see it reverse in the second half of the year. So I think that's going well.

We talked about AMEA and the issues going on there, and there's a lot of effort and focus and working with our joint venture partner in Saudi to rightsize that business and really participate in the growth of Turkey, Egypt and other places, like he said.

And then lastly, in North America, Scott and Dan mentioned the $50 million. We also have been putting a lot of effort on making sure that from an efficient supply-demand point of view that we're minimizing any of that out-of-pattern freight that we experienced last year.

Operator

Our next question comes from the line of Neel Kumar with Morgan Stanley.

Neel Kumar - Morgan Stanley, Research Division - Equity Analyst

I was wondering, could you talk about what plants in particular were impacted by the aluminum issue? And you still generated 4% volume growth in North America despite the downtime at the affected plants. So how were you able to increase production at your other plants given that they were likely already running at capacity from the oversold industry?

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

Well, number one, to answer your question, we drew down inventories to do that. We're not going to go into specifics of what plants were affected. That's not what we do. But recall that we only have a limited number of metal suppliers. And so any given metal supplier probably serves multiple plants, and you should think about it that way.

Neel Kumar - Morgan Stanley, Research Division - Equity Analyst

Okay. That's helpful. And then in terms of the commercial opportunity. You talked in the past about some contract renegotiations in Europe in 2019. Can you give an estimate of what percent of contracts could be up for renegotiation there?

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

Well, I'm sorry, what year, at the end of '19 did you say?

Neel Kumar - Morgan Stanley, Research Division - Equity Analyst

For the end of 2018 and in 2019.

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

Okay. Yes. Approximately 1/4 or so of our European volume was renegotiated, and we're pleased with where we are right now.

Operator

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

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

I just had a question on European volumes. And I guess up 8% this year. Can you just talk a little bit about, I guess, what was Russia, what was Europe and then just kind of thoughts for this year? It's tough comps, but I guess you're still seeing good growth and benefiting from the substitution. So just some color there would be great.

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

Sure. Russia, as you recall, had the World Cup and strong summer and benefited from actually some legislative actions in Russia moving away from some larger PET. And so they grew at approximately 20% for the year. In Central and Eastern Europe, we had one customer, large customer that grew nearly 10% that we have a sole supply relationship with. And then we stepped into the new Cabanillas facility. We stepped into a new contract. So in the second half of the year, you saw Iberia grow year-over-year north of 10%. That was contractual volume. But you saw solid growth, low to mid-single digits in the Nordics, in the U.K. and other parts. But the 3 large areas that really drove our volume were Iberia, Central and Eastern Europe and Russia.

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

Yes. Just to add on to that and get to an earlier question about the whole sustainability. Some of the bigger, what's perceived as more mature markets, just to give you context. And I think about the U.K. I think of France. I think of Germany. In the fourth quarter alone, the U.K. was up 7%. France was up 7.5%. Germany was up around 20%. So that is on relatively flat overall liquid consumption. So I think that strength does reinforce our belief around this whole sustainability movement.

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

Got it. And then, Scott, can you just update us on sort of the shared services savings. I don't know if those were lumped in to sort of the segments when you provided sort of the EBITDA bridge before, but just what you're expecting there.

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

That's really kind of spread everywhere. Some of it shows up in corporate, but some of it shows up in the business. So we don't really break it down that way, but that's part of the improvement across the board when you look at the operations. John mentioned the cost out that they've done in South America and Europe and in North America as well. So it's kind of spread across the board.

Operator

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

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

You guys had talked about kind of 2% to 4% bev can volume growth over the next little while. Obviously, there were some issues in Q4 related to metal. But how do you feel about that forecast? Any potential upside or downside given some trends in non-12-ounce and maybe you can just give us your view and also tie that in with your regional expectations.

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

Yes. It's a great question. I would say my lean would be based on what we saw in the second half of the year, what we saw in Q4 particularly and in conversations with our customers and anticipated forecast going into next year and even through our strat plan period. There would be reason to believe that we could grow at an accelerated clip above what we -- kind of the historical norm would have been. And I think a lot of that is just probability affecting and assessing the impact of sustainability and how fast that will move. That's the biggest question mark. But we're certainly excited about it and believe we've got more tailwind there than anything else.

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

Yes. As Dan had mentioned, just the full year, our global volumes were up a little over 2%, but in the fourth quarter they were up 4%. So I think that's a good proof point in terms of the momentum we're seeing.

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

Appreciate that. And just as a follow-up, in Brazil, have you noticed any changes in the market? Have things gotten better or worse? And any thoughts around political shifting that would affect that?

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

We've been actually reasonably encouraged by the political shift. And from an overall market, you have the new entrant, but with the growth rates that are there, and I think John's commented on this historically, it doesn't take much growth outside of 4% or 5% in the market to start absorbing all the excess capacity that was introduced. So we think heading into '19 and the plan period here, that market is definitely tightening and there's reason to believe that there's margin expansion opportunities going forward.

Operator

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

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

Just wanted to come back to the comments around the 2 billion can production growth in North America in 2019. Just wondering if you'd give a sense of how much of that is just replenishing the inventories you drew down in the quarter due to the aluminum sheet issue. And I ask because it seems like the end markets probably aren't growing that much. And even with the upsurge we saw in fourth quarter, can shipments in the U.S. were up less than 1 million this year. So just wondering if that comment is indicative of you guys expecting to take a little bit of market share here in 2019 or are you expecting the market growth rate to kind of meaningfully pick up from where it has been the last couple of years.

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

Yes, good question. In 2018, we shuttered 3 facilities. We stood up a new 4-line can plant. We added some
additional specialty capacity in Conroe, all with an eye toward contracting that volume, which we have done historically. So there's a piece of this where we're stepping into increased specialty volume. It's been contracted. There's good line of sight there. We do think the market is going to grow at an accelerated rate in North America versus what we saw in '18, largely on the basis of the second half movements and new product introductions. The '18 versus '19 for us, we will grow at an accelerated rate versus the market. But again, those are contracted volumes that were initialized by our footprint.

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

I'd just layer on top of that. Remember, over the last couple of years, we've put an extremely large focus on specialty. And we can go West Coast to East Coast, north to south, and we have a network and footprint that we think is better than any of our peers. And as a result of that, as these new product introductions and the shift from standard containers to specialty, it falls right into the sweet spot of what we've been focused on.

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

Okay. Appreciate that. Just as a follow-up. This one might be a little bit of an accounting one. But Dan, I think you mentioned the $10 million impact in the fourth quarter from the aluminum issue that was a tolling customer and there was just some of the accounting didn't let you recognize maybe offsetting compensation in the quarter. So do you get $10 million back in 2019? Is there some kind of a pass-through or compensation from the customer here?

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

We have to wait until we resolve the issue and then we'll let you know.

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

Okay. But anything embedded in the '19 outlook or the $50 million kind of comment of fixed cost savings, I guess that would be separate, but just anything embedded in the '19 outlook for that?

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

No, no.

Operator

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

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

I'm going to be another person asking on the [2 billion] can number you threw out there. But could you comment on, is this really being driven on the specialty side by a couple of customers shifting into specialty or using it? Or are you seeing this as very broad-based? And then also, how much of the growth in 4Q and the number that you're throwing out for 2019 do you think is related to the sustainability efforts of some of your customers?

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

Tough to parse out the sustainability one, but it could be 1% to 2% of growth in specific markets where this is a bigger issue and it's more broad. It's in Western Europe. It's in the U.K. And it's starting to manifest in the U.S. The other question was on specialty. And I would just, Debbie, I would reference the fact that in North America we have 800 customers. So it's across the entire breadth of those customers. It's not a singular focus of 1 or 2. Everyone's moving.

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

Yes. In the fourth quarter, our specialty was up 13% in North America. And when you look, it's everything Dan just said. It was traditional CSD. It was spiked seltzer. It was beer. It was energy. It was all new categories, emerging wine, seltzer waters, et cetera. So it truly is broad-based.

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

Okay. And second question, there has been an announcement of a new can plant in Europe, I think in Belgium, with a new entrant. And we've received a lot of questions about it so I wanted to just see if you had any thoughts on it. I do think that the European industry is growing enough to absorb this, but I think investors are a little confused as to how to think about it and how it might impact some of the larger players there.

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

Yes. Well, I might point out a couple of things. The overall can industry in Europe grew in the range of 4 billion units or so in 2018. It's our best understanding that this new entrant is a small 1-line facility in the Benelux region focused on one customer that's going to be using standard containers. So you have to put this in context. I do think as we look forward, as Dan had mentioned, we have some new capacity. Obviously, Spain coming up, but we've put some new lines in Serbia as well as Switzerland, and so we've been growing. So we fully anticipate other people that are going to be investing to meet the demands of the market.

Operator

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

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

Just one quick one. I mean, you seem pretty confident in achieving your targets for 2019. But when you look at everything that's going on, like where do you see like the most risk in achieving those targets?

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

This is John Hayes. Maybe I'll take this. I think a lot of what Scott Morrison laid out in the bridge is in our control. Obviously, we had some metal issues in late 2018 that were out of our control. We have been very focused on making sure, number one, the situation getting better. Number two, we have sufficient supply. And number three, we're working on other alternatives longer term so that we have a Plan B if something like that were to happen. Obviously, this whole sustainability provides big tailwind for us. But if for some reason there's a big dislocation in the demand side of our business around the globe, that could have an impact. But I will point to the financial crisis of 2008 when our volumes in the worst quarter were down 4%. So we don't expect that to happen. I think really the biggest risk to us is our ability or inability to execute on what we have in front of us right now.

Operator

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

Chip Alvin Dillon - Vertical Research Partners, LLC - Partner

I thought I'd be the first one, perhaps, to ask a question about one of your fastest-growing businesses which is aerospace. And you mentioned some pretty large growth initiatives there, including the employee growth. And I believe you said the income growth of 15%, '19 versus '18. However, it looks like looking at your backlog that we could see either several years of that kind of growth or maybe it could even accelerate in '20 and '21. And so obviously not knowing everything, but just given your current line of sight, what kind of progress do you think we will see in '20 and '21, especially given the 30-plus percent increase in the employee base?

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

I think the logic you just laid out is sound, and we would agree with that with one caveat. Our government, we rely on our government to be operating efficiently and funded effectively, and we just have come out of the longest furlough in the history of the U.S. government. There's potentially that going forward. It has not affected us to date. But strategically, when you're [the government] running the deficits that we [the government] are, something is going to give. That's why we talk about both funded backlog, which is money good and then won not booked. As we said repeatedly over the last 6 or 9 months, the won not booked, we feel good about. But there's some risk to that going forward, and that affects the 2020, 2021, 2022 time frame. And so as we sit here today, the thing I would be focused on the most is about that because the rest of it's in our control.

Chip Alvin Dillon - Vertical Research Partners, LLC - Partner

Got you. Okay. That's very helpful. And then just quickly, you guys give us great data, for example, on volumes. And periodically, you tell us your mix with specialty versus standard. It just seems with, especially the categories that are growing, that you're seeing so much more growth now in the specialty area. And I didn't know like, for example, if we took just the 2% company-wide growth last year, is it fair to say standards were down, I don't know, mid-single digits and specialty way overtook that? Just so that we get a better view or sense of what the mix is doing.

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

Yes, Chip, I'll tell you this. Our specialty globally grew for the year at around 9% and it's approximately 39% or 40% of our mix. So when you do the math, you can see standard had declined. That's why, to Dan's point, we took out 3 facilities in North America in 2018. That's why we closed the

San Martino, Italy plant, which was a standard container [facility]. So we've been managing this mix shift as we go forward, and that's why we've been investing on all of these specialty lines.

Chip Alvin Dillon - Vertical Research Partners, LLC - Partner

Okay. And last one quickly. As you look out past '19, CapEx is coming down. You've listed a lot of growth opportunities you wanted to jump on top of. Again, based on your line of sight, is $600 million something we would -- would be a good best guess for 2020 or are there reasons it could go up or down from what you see today?

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

Yes, Chip, I would use $600 million. I think it's a good proxy. There's a lot of growth in there. It's probably up $50 million from where we were 6 months ago in terms of accelerating things and kind of bringing them to the left to take advantage of some of this growth. I would use that as a decent proxy. But if the sustainability thing really takes off, we could spend more money, but we're going to do it just like we've always done with a mindset of putting capital to work where we're getting the right returns.

Operator

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

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

Dan, just a couple of questions on the sustainability topic again. I think Brian was asking about your outlook for the U.S. market. It was up 0.6% last year and you're expecting that to accelerate. And you saw the acceleration, particularly in the fourth quarter. Do you tie that directly to this sustainability move that you're talking about? Is there any other reason why you think shipments meaningfully accelerated in the fourth quarter and that you're expecting them to accelerate in '19 versus '18?

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

Yes. That's a good question. I don't think I have the answer, but my thesis would be it's largely because of sustainability. I mean, we know that the large CPG players, in particular, they don't have a very attractive mix shift. I mean, some of their CEOs were getting beat up pretty good over in Davos a week ago. And the one thing we can point to, Adam, I just keep coming back to, new product launches. We're seeing much more activity in and around innovation from a can perspective when we're dealing with the marketing groups and the large CPG companies. And we are attributing it to, in North America, in Western Europe, in the U.K., in the Nordics, to sustainability being a fairly significant driver of that.

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

Yes. Just one little proof point, this is on more of the alcohol side. But craft beer, it's our best estimation that for the first time ever, cans as a share of the package mix is now over 40% in the craft market. Our volumes in craft are still up well in excess of 30% despite overall volume of craft, meaning liquid volume, up only about 1%. So is that sustainability? We can't point to any specific fact to tell you that's the case. But I do think that there is a consumer trend out there that's much more focused on this.

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

And Dan, just on Europe, I think you said volume was up 8% for the year, if I'm not mistaken. And forgive me for missing this. Did you give any expectation for '19 in terms of European volume? And again, how much of whatever growth you're expecting would you attribute to that same sustainability movement?

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

I would think it's going to be a little off that. I mean, keep in mind, it was unprecedented weather conditions in a lot of big beer drinking jurisdictions, but I can see mid-single digits. And again, I think where we play and where our network is, we may grow at a faster rate than the overall market just because of our customer mix. Russia continues to be incredibly strong. We'll lap our Iberian new contracts in the stand-up of Cabanillas. But I'd say market, 4% to 5%. We could do better. That's certainly our plan and our hope.

Operator

We do have one more question in the queue from the line of Mark Wilde with Bank of Montreal.

Mark William Wilde - BMO Capital Markets Equity Research - Senior Analyst

Just curious to come back to Europe. How much capacity do you have or how much could you grow in '19 just given your capacity base?

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

Yes, a good question. As indicated in the prepared comments, we have added a couple lines, one in Serbia. That just came online actually last week. I was over there earlier this week. Another line in Central and Eastern Europe, that one is ready to go. We haven't flipped the switch on. And then ramp up curves basically in Spain, stepping into improved efficiencies there and improved efficiencies across the rest of the jurisdiction. But we're certainly tight. We've got a couple of pockets of opportunity and continue to grow. But keep in mind, historically, we've always got speedup opportunities. We've got a laundry list of areas where we can spend minimal capital. And we've waited for this tailwind and it's here now. And so we're not going to miss out on volume opportunities at the right price.

Mark William Wilde - BMO Capital Markets Equity Research - Senior Analyst

Okay. And Dan, I'm just curious over in Europe in terms of bottled waters or whatever picking up. I know that you've got a lot of people that are interested in looking at the format. But I wonder whether capacity constraints right now make it hard for some of those customers to make a large move. So what kind of conversations are you having and is there a potential that we could see 1 or 2 very large moves over there at some point or do you think it'll be just more kind of incremental?

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

Yes, there will absolutely be the opportunity for large moves. The constraint is not necessarily on our end. It would be some of those major customers making filling investments in their infrastructure. So we wouldn't be the deterrent for those moves. I mean, we're in front of a number of them right now as they're contemplating shifts. There's an awful lot happening from independent start-ups that are driving that inertia from some of the big CPG players. I do think that, that is something that we're having conversations on, something that we believe will happen. It'll probably start at the high end of the water market. But depending on what legislation hits and single-use water bans that are popping up, that conversation is happening everywhere now. Something will be a catalyst for a major move. And we will have enough time, hopefully, to move into that in a meaningful and a smart way.

Mark William Wilde - BMO Capital Markets Equity Research - Senior Analyst

Okay. And then if I could, Scott, you mentioned the PPI escalators. I'm just curious, PPI, I think kind of has been moving up maybe 3%, 3-plus percent, but you maybe had a much bigger move in freight cost. So will the PPI really catch you up for freight this year fully?

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

It probably won't offset. If you look back, kind of probably what time frame you're looking back. But if you look back at our incremental freight cost all of 2018, the PPI will offset a large portion of that, but not all of it.

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

Chris, I think we're concluded. So thank you all for participating, and we look forward to having a successful and productive 2019 and talking to you 3 months from now. Thanks, everyone.

Operator

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.

Forward-Looking Statements

This release contains "forward-looking" statements concerning future events and financial performance. Words such as "expects," "anticipates," "estimates," "believes," "targets," "likely," "positions" and similar expressions typically identify forward-looking statements, which are generally any statements other than statements of historical fact. Such statements are based on current expectations or views of the future and are subject to risks and uncertainties, which could cause actual results or events to differ materially from those expressed or implied. You should therefore not place undue reliance upon any forward-looking statements and any of such statements should be read in conjunction with, and, qualified in their entirety by, the cautionary statements referenced below. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Key factors, risks and uncertainties that could cause actual outcomes and results to be different are summarized in filings with the Securities and Exchange Commission, including Exhibit 99 in our Form 10-K, which are available on our website and at www.sec.gov. Additional factors that might affect: a) our packaging segments include product demand fluctuations; availability/cost of raw materials and logistics; competitive packaging, pricing and substitution; changes in climate and weather; competitive activity; footprint adjustments and other manufacturing changes; failure to achieve synergies, productivity improvements or cost reductions; mandatory deposit or other restrictive packaging laws; customer and supplier consolidation, power and supply chain influence; changes in major customer or supplier contracts or a loss of a major customer or supplier; political instability and sanctions; currency controls; changes in foreign exchange or tax rates, including due to the effects of the 2017 U.S. Tax Cuts and Jobs Act; and tariffs or other governmental actions in any country affecting goods produced by us or in our supply chain, including imported raw materials, such as pursuant to section 232 of the U.S. Trade Expansion Act of 1962; b) our aerospace segment include funding, authorization, availability and returns of government and commercial contracts; and delays, extensions and technical uncertainties affecting segment contracts; c) the company as a whole include those listed plus: changes in senior management; regulatory action or issues including tax, environmental, health and workplace safety, including U.S. FDA and other actions or public concerns affecting products filled in our containers, or chemicals or substances used in raw materials or in the manufacturing process; technological developments and innovations; litigation; strikes; labor cost changes; rates of return on assets of the company's defined benefit retirement plans; pension changes; uncertainties surrounding geopolitical events and governmental policies both in the U.S. and in other countries, including the U.S. government elections, budget, sequestration and debt limit, including the partial government shutdown; reduced cash flow; interest rates affecting our debt; and successful or unsuccessful joint ventures, acquisitions and divestitures, including with respect to the Rexam PLC acquisition and its integration, or the associated divestiture; the effect of the acquisition or the divestiture on our business relationships, operating results and business generally