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PRESENTATION

Operator

Greetings, everyone, and welcome to the Ball Corporation Fourth Quarter Earnings Call. (Operator Instructions) As a reminder, this call is being recorded today, Thursday, February 6, 2020. It is now my pleasure to turn the conference over to John Hayes, CEO. Please go ahead.

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

Thank you, Mladen, and good morning, everyone. This is Ball Corporation's conference call regarding the company's full year and fourth quarter 2019 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 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 and Chief Financial Officer; and Dan Fisher, Senior Vice President and Chief Operating Officer of global beverage. I'll provide some introductory remarks. Dan will discuss the global beverage packaging performance. Scott will discuss key financial metrics, and then we'll finish up with some comments on our aerosol and aerospace business as well as our outlook for the company.

2019 finished on a strong note with fourth quarter comparable operating earnings up 14%, diluted earnings per share up 29% and stronger-than-expected free cash flow. In contrast, EVA dollars generated on average invested capital were down slightly year-over-year as the significant growth capital recently deployed has not yet generated expected returns due to its infancy. We fully expect to generate meaningfully higher EVA dollars in '20 and beyond as multiple growth projects come online and we respond to significant multiyear growth in global beverage cans and as aerospace executes on their sizable backlog.

Over the past year, global beverage volumes were up 5%. Our aerospace contracted backlog increased 14%. We completed the sale of 2 underperforming businesses. We launched our new aluminum cups business. Our full year comparable diluted earnings per share increased 15% and we returned over \$1.1 billion to shareholders.

As we reflect on 2019 and the 42-month integration plan and financial goals laid out following our mid-2016 acquisition of Rexam, I'm proud of our team, their ability to achieve more than \$300 million in synergies and how well they've positioned our business to return significant value to all of our stakeholders over the near and long term.

Back in 2016, when we completed the transaction, we laid out a 42-month target to achieve \$2 billion in comparable EBITDA and \$1 billion in free cash flow by year-end 2019. After taking into account the sale of our steel food can and steel aerosol businesses and the sale of our China beverage can assets, which combined represented approximately \$110 million in anticipated 2019 EBITDA, and spending \$100 million more in CapEx versus the original plan, our actual 2019 results were within \$50 million of each financial goal. In addition to these strong results, we received \$800 million in cash for the underperforming businesses we sold, which was used to further strengthen the balance sheet and return value to shareholders.

The 42-month journey didn't happen exactly as envisioned in 2016. Our team learned where we needed to improve operationally and organizationally; how to leverage our strengths to ensure aluminum packaging is the most sustainable in the supply chain and create opportunity for us; that return-focused decisions to exit underperforming businesses, though difficult, are always the right thing to do. And most impressively, our team navigated a vast sea of external global, political and market changers to deliver for our shareholders.

As we embark upon our 140th year in business and celebrate the 10th anniversary of our Drive for 10 vision, where we have already achieved our goals of doubling earnings per share, doubling free cash flow and doubling EVA dollars over the decade, our company has never been stronger. We know who we are. We know where we're going and we know what's important.

In global aluminum beverage cans, we are leveraging the once-in-a-lifetime opportunity from a sustainability market leadership perspective and remain focused on operational excellence and an improved customer experience. In aerospace, we continue to grow without losing sight of the successful execution of our existing and future contracted backlog. In global aluminum aerosol, we continue to focus on innovation, sustainability, operational excellence and geographic expansion. And as a corporation, we are excited. We're excited to expand our newly launched aluminum cups business, guided by a defined go-to-market strategy as our new commercial production capacity comes on stream. We're excited to maintain our culture, EVA and ownership mindset and sustainability leadership while fostering an inclusive work environment and developing our next-generation of leaders and skilled trade professionals. We're excited to invest in growth opportunities across all of our businesses, more of which you'll hear from today. And we're excited to continue to onboard a cadre of new Ball people across our entire organization, ensuring that we preserve the old with the new, the values of our past with the ideas for tomorrow and the can-do spirit that has elevated Ball over 140 years.

The year 2020 is shaping up to be quite strong with each business growing operating earnings. As customers, consumers, retailers and venues seek out our aluminum beverage packaging portfolio, our focus will be on amplifying our product sustainability benefits, operational excellence, improving customer service and executing on the various projects and commercial opportunities we have in front of us. Across the globe, we are actively investing in new aluminum packaging production to serve increasing demand for aluminum cans, bottles and cups. Dan and Scott will discuss these opportunities and the size of capital spending.

Now key highlights for the fourth quarter include 9% specialty can growth. Today, specialty cans represent over 43% of our mix on a global basis. As anticipated, our overall global volume growth in the quarter was up low single digits given very tight supply conditions in North America, particularly for specialty cans, and tough year-over-year comps in Europe, where fourth quarter 2018 volumes were up over 10%. We closed on the remaining parts of the sale of our China beverage can business and received the cash proceeds from the sale. We closed on the sale



of our Argentina steel aerosol business. Our new aluminum cup recently appeared in iconic venues such as the NFL Super Bowl as well as the Waste Management Phoenix Open. It will continue to expand into many major league and collegiate sports as well as music venues, followed by online and retail channels in 2021.

In summary, while we had some short-term operational challenges and scrap headwinds in our North American business during 2019, we believe the scrap headwinds are behind us and our planned efficiencies are improving every day. Dan will go into that more. We will continue to execute our long-term strategy of increasing EVA dollars and earnings over time through higher revenues above our cost growth, driving more mix shift to specialty containers, growing new innovative aluminum packaging products like the cup, and expanding aerospace, all with the return of value to our shareholders mindset. Thank you to all the people who work here at Ball for your passion, your great dedication and hard work. 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. Let me start with a few key points to set the stage for 2020 and beyond. Our market thesis of 4% to 6% volume growth over at least the next 5 years continues to hold true. The still water shift to cans is accelerating as conversations intensify in each of our major regions and will push demand growth to the higher end of the range if the overall supply chain can move at the rate the end consumer is demanding.

In North America, the new customer contracts took effect on January 1 and additional contracts will renew in the coming years, and we will focus on getting paid for complexity while also improving our own operational efficiencies and ability to manage growth. In the first half of 2020, North American volume growth will be muted until new capacity comes online during the second half of the year. Global capacity expansions are on track and our team is focused on hiring and training to ensure successful ramp-ups.

Given the expectation of high multiyear growth, discussions on securing additional aluminum supply are progressing. The Ball aluminum cup is generating significant opportunities with the new customer base, and we are investing approximately \$20 million in P&L costs in 2020 to enable the go-to-market strategy. We're looking forward to commercial cups coming out of our new Rome, Georgia cups facility in the fourth quarter of 2020. We will initiate even more efforts to tell the aluminum sustainability story not only as it relates to the infinitely recyclable nature of the package but the superior CO2 footprint as well. This will further position Ball as the partner of choice and inform the regulatory landscape going forward.

Across our global operations, our team continues to manage tremendous growth, complexity and incredibly tight supply-demand conditions. As we prepare for the acceleration of products converting from PET to cans, we are well positioned and agile in our Europe and South American businesses and extremely focused on improving operational efficiencies, customer satisfaction and managing growth across our North American plant network. As our North American operations gain some breathing room, we'll be able to return to historical operational leverage on incremental sales.

Moving to the individual segments. Ball's North American segment volumes were up 2% in the fourth quarter and 4% for the full year with specialty cans growing 5% in the fourth quarter and 9% for the full year. During 2019, the North American business underperformed relative to our expectations operationally. The underperformance largely emanated from Goodyear and their reliance on the other supply points nearby. The domino effect of operational pressures across our system was compounded by the tremendous demand in the Southwest supply orbit. In response to our underperformance in our U.S. operations, we made significant changes to the management team. We have confidence as we transition into 2020 based on the seasoned leaders and growth mindset being brought to our day-to-day focus. When the line additions at existing facilities in Georgia and Texas start up in the second half of 2020, and our Goodyear facility, which is now running at 75% efficiency, gains even more momentum, this will certainly alleviate stress on the rest of the plant network.

As previously announced, we will also construct 2 new specialty beverage can plants in Glendale, Arizona and in the Northeast U.S., both of which will initially have 2 can lines. Glendale is anticipated to come online in the first quarter of 2021 and the Northeast facility after that. Combined, the previously mentioned line and plant additions will produce 6 billion incremental units.

With the aluminum scrap headwinds behind us, the progress being made at Goodyear and surrounding plants, previously negotiated contracts favorably resetting, I fully expect strong earnings momentum across North America in 2020 and beyond.

Turning to our South American segment. Our volumes were up 3% in the fourth quarter and 8% for the full year. Year-over-year, quarterly earnings were up due to volume growth offset somewhat by customer mix. Our new plant in Paraguay started up on track and we are poised to add additional capacity in Brazil as growth warrants. Operating earnings are expected to improve year-over-year as Paraguay gains efficiencies, customers pursue more specialty cans and more favorable approach to customer mix enhances results.

European beverage earnings were up 9% in 2019 due to volume growth and improved operational performance despite \$16 million of unfavorable operating earnings translation impact during the year. Volumes were flat in the fourth quarter, largely due to tough comps and year-end positioning between customers and retailers. For the year, volumes were up 5% in Europe. We are leveraging our continental Europe network to add lines to existing facilities in preparation for our customers' growth following the installation of additional can filling lines and to support normal market growth across Continental Europe and Russia. More to come as we move through the year.

As we mentioned in today's earnings release and following the recent decision to close our Dubai office, the company's existing facilities in Cairo, Egypt and Manisa, Turkey will be consolidated into the existing beverage packaging Europe segment starting in first quarter 2020. Given that the vast majority of the legacy AMEA business is associated with these 2 plants, it should be relatively easy to understand the changes in this segment going forward.

As I mentioned last quarter, we will be prioritizing capital and resources for the best long-term outcomes. Following the Dubai office closure and the slowdown of our business in Saudi Arabia, we are shifting the management responsibilities of our Egyptian and Turkish plants to our European team in the U.K., and the remaining Indian and Saudi facilities will continue to be reported in other nonreportable going forward along with cups.

In summary, global beverage can demand momentum continues in the regions where we operate. Going forward, I see North and Central America's 3- to 5-year forward volume growth CAGR in the range of 4% to 6%; South America's 3- to 5-year forward volume growth CAGR in the range of 5% to 8%; and Europe's 3- to 5-year forward growth CAGR in the range of 3% to 6%. Our teams are actively hiring to support our anticipated growth. Thank you again to all of our teams around the globe. Our time is now. With that, I'll turn it over to Scott.

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

Thanks, Dan. Comparable fourth quarter 2019 diluted earnings per share were \$0.71. In the full year, it was \$2.53 versus \$0.55 and \$2.20, respectively, in 2018. 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 reflects solid global beverage can shipments, strong aerospace performance, a lower share count, lower effective tax rate and lower corporate costs offset by the sale of our U.S. steel food and steel aerosol businesses, sale of our Chinese assets, euro earnings translation headwinds and higher interest expense. In addition, global beverage revenues for the fourth quarter were down 4% from the pass-through of lower cost aluminum and roughly an \$80 million year-over-year impact from the fourth quarter sale of our Chinese beverage can assets.

Net debt ended the year right on target at \$6 billion. The company completed a successful Eurobond issuance in November of 2019, which resulted in favorable rates and a larger-than-typical cash balance at year-end. In January 2020, we redeemed the 3.5% and 4.375% 2020 senior notes. Ball's balance sheet is healthy. Debt has been termed out at low rates, and we maintain ample opportunity and flexibility to service growth and shareholder value return needs.

In 2019, we generated \$950 million of free cash flow after spending \$250 million of maintenance CapEx and an additional \$350 million in growth CapEx. We also funded \$216 million into our pension plans, which was \$125 million higher than our original plan and generated more than \$200 million in working capital. We completed net share repurchases of \$945 million and paid \$182 million of dividends, returning an excess of \$1.1 billion to shareholders.

In the quarter, interest expense was a little higher due to the carrying cost of the Eurobond placement at year-end, and corporate undistributed finished the year slightly lower than expected at \$54 million.



As we look to 2020, here are some key metrics to keep in mind. Our full year effective tax rate on comparable earnings will be in the range of 20%. Full year interest expense will be in the range of \$280 million and full year corporate undistributed will be in the range of \$70 million as we provide for higher benefits and incentives in 2020. Our 2020 cash from operations will continue to be this strong. We will be investing in working capital to support our growing businesses and \$550 million of growth CapEx during the year. We anticipate full year 2020 CapEx in the range of \$800 million resulting in free cash flow of approximately \$600 million. Given the growth in operating earnings and our strong cash flow, we also plan to return nearly \$1 billion to shareholders in 2020. Like always, we will invest capital with an eye on EVA returns, manage our balance sheet effectively and consistently repurchase stock and pay dividends for the benefit of our long-term shareholders. With that, I'll turn it back to you, John.

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

Great. Thanks, Scott. In our aluminum aerosol business, global volumes were down in the quarter and were up slightly in 2019. European volume softness and operational performance dampened full year segment earnings. We have initiated action plans to improve operational performance in our facilities and believe the volume shortfall at the end of the year will not carry over into 2020. We recently launched our new Infinity bottle. This refillable, reclosable and infinitely recyclable aluminum bottle can provide a sustainable solution for shampoos, lotions and other personal care products as they shift from small- to medium-sized plastic containers at hotels and on store shelves. In addition, we continue to see operations to broaden our global footprint through bolt-on M&A. We look forward to improving the business performance in 2020 and beyond.

In 2019, our aerospace business reported 24% revenue and operating earnings growth on very solid contract performance. Our year-end backlog increased 14% and our head count in 2019 increased by over 1,000 employees. Executing on our backlog and providing our employees exciting work and an enhanced infrastructure for office space, testing and manufacturing are the areas of focus in 2020.

Looking forward, the programs recently won are vital to the intelligence, reconnaissance and surveillance as well as the climate change and weather prediction needs of our country. With the recent budget agreement between Congress and the White House, some of the ambiguity around contract start-up has been derisked. The business should be able to grow operating earnings in excess of 15% per year over the next several years given the scale and type of contracted backlog recently won. In addition, there are even greater future program opportunities that we are pursuing that would position us even further into the future.

Our long-term prospects have never been brighter. Ball is uniquely positioned to lead and invest in sustainable growth in global aluminum packaging and aerospace while delivering significant value to our shareholders. We look forward to driving our business to deliver long-term diluted earnings per share growth of at least 10% to 15% per year and achieve our EVA dollar growth goals of 4% to 8% per year on larger invested capital base. We will continue to responsibly invest both internally and externally, enable new products, improve our existing businesses, position and train talent effectively while maintaining our culture and EVA discipline. And always, we will do what is best for Ball, our employees, our communities and our shareholders' long-term success. And with that, Mladen, 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*

You indicated last year that in North American bev, you could get, I think, \$30 million in inefficiencies rolling off and then \$40 million in scrap recovery this year. Is that still accurate with the sold-out conditions in specialty cans kind of continuing into the second half of the year? And then in terms of the cadence, in terms of quarters for inefficiencies to roll off, and then for scrap, do all those contracts just reset on Jan 1? Or any kind of color you could give there on the timing?



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

Sure. Yes. The numbers you started with are still directionally correct in terms of the scrap. We've largely offset that. That starts really, January 1. So that's already started to benefit us. So you see a nice improvement in the first quarter. The manufacturing efficiencies, as Dan mentioned, we continue to get better and those will get better as we move through the year. And the start-up costs, we had very little start-up costs in the fourth quarter in North America. Now as we start to get closer to the start-up of the new plants that we're talking about and some of the new lines in the second half of the year, we'll have some start-up costs related to that. But all of that in total, if you put all that together, earnings in that business should be up kind of low to mid-teens [on a percentage basis].

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

Okay. That's very helpful. And then just shifting to Europe.

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

Sorry. Yes. I meant low to mid-teens on a percentage basis, just to be clear.

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

Got it. Got it. And then just shifting to Europe. I mean, there's a lot of moving pieces with the retail positioning you called out and Egypt and Turkey being added to the segment, and you've had some start-up costs. Is it possible to kind of size the sort of run rate earnings power of Europe right now or how we should think about the segment in 2020? Just if you can give any more detail on those kind of moving pieces.

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

Sure. So Europe should be up low teens [on a percentage basis] without the benefit of the AMEA businesses. And if you look at the AMEA businesses and the profitability there, the vast majority of the profitability came from the 2 plants that we're moving from the AMEA business into Europe, so Turkey and Egypt. There was very little profitability from the other business that will go to the other segment. And so if you think of moving the AMEA profitability into Europe on top of those low teens [on a percentage basis] improvement that we expect in operating earnings, that should give you your numbers.

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

Just a little more color on that. Very similar operating margins on a percent-of-sales basis that's been included in the business. So we'll still be thinking of kind of the normal flow-through. There shouldn't be regional mix implications, in other words, going forward. If we get the growth, you should see traditional or historical flow-through.

Operator

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

Neel Kumar - *Morgan Stanley, Research Division - Equity Analyst*

In terms of the 4% to 6% volume growth, is that a Ball-specific figure or for the overall market? And then can you just give us some more insight on what you would need to see in the supply chain to get to the high end? And then you also mentioned a comment about still water conversions.



What kind of impact do you specifically think that can have on growth? And can you just update us on some of those conversations you've been having?

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

Yes. The first question relative to the 4% to 6%, that is relative to the markets that we operate in today, and that's what we believe when we're looking at the next 5 to 7 years. I think I indicated in the script, 5 years, we're doing a 7-year plan. So anything outside of 5 years would be really difficult for us to comment right now in terms of contracts and some of the conversations we're having with retailers and customers. And then your second question is the most difficult to answer in and around still water. I will tell you the conversations that we're having, the growth is nice, up from a low base in both Europe and in North America, but we're also having much different conversations even in South America as we speak, and we're talking to some of the larger brands. I expect to see some of this showing up on retail shelves in all of the regions we're at. But in terms of what price point that's at, the velocity of the turnovers and what it means in terms of aggregation of volume within the next 3 to 5 years, that's a difficult one for us to answer. The conversations are certainly far more robust today than they were this time a year ago. I look forward to giving you more updates through the quarters as we see more of these products show up on retail shelves, and we have a little bit more data at our disposal.

Neel Kumar - *Morgan Stanley, Research Division - Equity Analyst*

That's helpful. And then you talked about a focus on improving operational excellence in 2020. In terms of your new capacity expansions in North America, can you just talk about what you're planning to do differently to ensure a smoother ramp-up and maybe avoid some of those issues you had recently with the 2 last lines at Goodyear, particularly as it relates to workforce training?

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

Sure. I mean, we're spending a lot more time. We're hiring earlier for the new start-ups, and we're training in a lot more detail. We're also combining the mix of folks that are going into these new facilities and/or the new lines are going to be a combination of external hires and then repositioning folks from other plants. So I think that's going to give us a little bit more security as to the ability for folks to run the way we need to run with the amount of complexity we have in our businesses. And fundamentally, I think the leadership team that we have now in place is best-in-class, and they're doing a lot of really solid fundamental things to get us basically focused on kind of what we need to do in delivering to our customers. I do think getting Goodyear running and securing that orbit of 7 to 8 plants being impacted that will certainly help us. And then the last thing that I know John has talked about in previous calls that you can't undervalue is we're not only stepping into better economics and derisking some of these scrap issues and these new contracts. We have much tighter order fences, and that's going to allow us to operate with a much clearer path 1 week out, 2 weeks out, and all of that is going to have as much of an impact, candidly, as some of the training and some of the focused efforts are going to be.

Operator

Our next question is from Ghansham Panjabi, Baird.

Ghansham Panjabi - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Can we just go back to Europe for a minute? Just give us some more color as to why volumes were flat for you. I mean, you mentioned a tough comp from a year ago but I think the industry was still up at a healthy rate. Was there a specific customer mix that impacted you? And then second, it looks like Carlsberg is potentially looking at seltzers in the European market given that it's very small relative to the boom we're seeing here in the U.S. Can you just touch on capacity utilization in the industry in Europe, just broadly speaking?



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

Yes. So I think the first comment relative to our growth compared to the region, yes, the region was up. We did make some conscious decisions in terms of our customer portfolio, walked from some business in the Southeast Europe region. So that did contribute to that but we really like the short-and medium-term opportunities that will be stepping in to replenish that volume. So we should see growth trajectory kind of second, third, fourth quarter, getting closer to probably market trends in Europe for us. The utilization in the entire European market, I know for us, we're in the 95% to 97% utilization range. We're making some incremental investments, debottlenecking where we can, but we're certainly running incredibly tight right now. I would think that the market in general is in that 93% to 95% range. There are still pockets of volume. It's not near as tight as we're seeing in Brazil and/or North America, but certainly, 93% to 95%. We would historically have said that is a tight market in a full market. We're just operating in a much tighter supply-demand intensity level right now in most of our regions because of the growth profile.

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

Seltzer market it's probably not just Carlsberg. I would expect the seltzer market to transition into Europe. Of course, I was over in Europe 2 weeks ago and nobody knows what the heck a seltzer is. So it will be interesting to see how that transition manifests, but I would expect after some of the key players in North America get their installed base and their supply chain built out to take advantage of what they think the real longer-term opportunity is for seltzers, they will all focus their attention on that marketplace.

Ghansham Panjabi - Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

Okay. That's really helpful. And then last quarter, Dan, I apologize if you talked about this, but you said that you would leverage Q4 to basically rebuild inventory levels in North America for 2020 just to give your operations a bit of breathing room. Can you just update us on how successful you are with that initiative? And also, can you just comment on backlogs occurring specific to North America? And how are you kind of managing production for next year just given the surge in demand?

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

Sure. I think we largely accomplished what we wanted to in terms of inventory build. Of course, whether or not we built the right things, that will be dependent on the end consumer and what they draw. I think for North America, next year, we've got a number of projects, a couple of them pretty significant, that are going to show up and give us more capacity in Q2 and Q3. Those are really what we need to come off in order to kind of maintain the requisite delivery levels we need to our customers and kind of eliminate some of the disruption we saw in the previous years from a tight market.

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

Yes. Ghansham, this is John. I'll just put an exclamation point on what just Dan said because we have these lines starting up in the second half of this year. So over the first half of this year, we're going to get some incremental capacity but it's in the range of 0.5 billion or so. It's really in the third and fourth quarter each, that's when we're going to get another 0.5 billion additional each quarter. And so it is going to continue to be tight. We've said that, but it's going to be tight for the first half of this year. But then as we move through, I think, this new investment as well as getting more efficient on that orbit that Dan talked about, that's when you'll really start to see it.

Operator

And next question comes from George Staphos, Bank of America.

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

Congratulations on 2019's progress. I wanted to maybe piggyback on Ghansham's question on Europe. So given what looks to be ultimately, an improving supply-demand balance as the market should continue to grow, are there reasons why you wouldn't see Europe over time evolving into what you see in North America and South America from a supply-demand standpoint and some of the ancillary benefits you'd get from a commercial standpoint and innovation standpoint?

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

Yes. Let me take that. The short answer is yes. And just, again, to provide more color about what Dan said is we, at least, are operating in a tight investment. I can't comment on anyone else, but we are faced with a decision whether we would contract under a longer-term basis some business or choose to walk away from it. We chose to walk away from it because we have belief in the growth of the market, and given that we're already tight that we think we can fill up that capacity in the very short term. So I wouldn't read into the fourth quarter volume much at all. And what we're trying to do on a global basis, is the same things you have heard us talk about for the last 3 years or so, which is leveraging the footprint we have, focusing on specialty and be able to deliver to our customers on the right economic terms anything they need, wherever, whenever. That's our goal. And we believe, although we now need to execute and show up, but we believe we're in a good place in North America. And we believe, with a little bit of time, we've now gotten our footprint in a place in Europe that we feel pretty good about it, and now we're deploying that strategy that we believe we've been successful in North America into the European marketplace.

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

I wanted to try to, to the extent possible, parse some of the capacity and growth figures that you put out either in the formal comments today or in the press release. So on the one hand, you talked about, I think, 8 billion units of capacity going in through 2021. And then I think I heard earlier on the call something around 6 billion units in terms of cans, in terms of plants, and lines going in. Did I hear that and connect that correctly? And would that suggest that much of the majority in that gap where that delta would be aluminum cups? And if that's true, how is that tracking relative to what your expectation would have been, say, 3 and 6 months ago?

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

A good question. The 6 billion was North America specific. And so the delta between 8 billion and 6 billion is not cups. More of the capacity is going into South America and some incremental in Europe. So I'd say almost all of the 8 billion, close to all of the 8 billion is can capacity.

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

Yes. And further, George, that's what we've announced as well, and we've told the world as we go forward, we're monitoring this very closely. So that 8 billion could become larger as opportunities present themselves.

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

Yes.

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

Relatedly, within that \$800 million of CapEx, I would assume your projects that you haven't announced yet, that possibly could come to fruition. Would that be fair?

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

Really, that \$800 million is everything that we've announced publicly so far.

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

Okay. My last couple, and I'll turn it over quickly. One, on free cash flow, the performance was very strong, at least by your standards even. What went so well for you on working capital where there was a real nice swing? What was so negative in other free cash flow? There was a fairly large I think it was over \$100 million swing there year-on-year. What was behind that? And then back to the growth, and I'll leave it here, in that 8 billion, is there a way to parse what you think is related to plastic conversion?

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

So on the working capital, our operations and our GBS operations did just a tremendous job of collecting everything. We have probably the lowest past dues we've ever had in our history at the end of the year. So really just great work on that front. Great work on the aerospace receivables as well. So it's really across the businesses, how well we perform. And the big negative in the other would be the incremental pension funding that we did in excess of the expense. That's the vast majority of that number, George.

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

And your question on parsing out the incremental investment in the capacity installation as it relates to sustainability, I'm not a rocket scientist, but how we're looking at it is, historically, we've grown at 2% to 3% and we think we're doubling that. So probably 50%, maybe even a smidge more is probably related directly to what we believe is sustainability.

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

Yes. George, it's a great question. As you know, we try and track this as best we can. And the best data point we can give you is in North America. Three years ago, 1/3 of all new products coming out were in cans. Today, it's 70%. That's a meaningful jump. And so I think new brands, as they think about launching their beverages. The difficulty of getting product placement, number 2, and then do they want to go into the headwind called this anti-plastic regime. And so I do think, although that's the best anecdotal facts we can give you, anything else is speculative.

Operator

Next question is from Tyler Langton with JPMorgan.

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

Scott, could you just help us bridge, or understand the components a little bit better of the 2020 free cash flow guidance? I think you said free cash flow of \$600 million and then maybe CapEx of \$800 million. Just if you have any more details on sort of pension funding or cash taxes, interest expense, just sort of how to think about the components of that number?

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

Sure. So pension funding, we'll have a pretty big swing year-over-year, which will be a benefit of about \$125 million from '19 to '20, less funding into our plans in '20. Working capital, with our growing businesses, we need to invest some into working capital. So a good starting point for that number, probably \$150 million use or investment in working capital. Taxes, cash taxes really won't change a heck of a lot. Those are the big components, really.

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

And then I know it's looking out to 2021, so a while away. But I guess, just with the sort of the capacity that you've planned, I mean do you have a sense in terms of how CapEx and working capital could then look just sort of relative to 2020?

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

Yes. I think, as opposed to a couple of years ago, we had said \$500 million to \$600 million was a good longer-term bogey. I think it's going to definitely be higher than that and it could be on the range of what we're going to spend in '20, also in '21. We're seeing a lot of growth opportunities. I think we're at the early stages of a lot of the sustainability growth that we're seeing and things that are going into cans. So I think it will be at an elevated level. We're really in a growth mode. This business for a long time wasn't in a growth mode. And so I think we have to get used to both internally and externally of looking at our company differently than we have in the past. And we've got great opportunities in front of us. So I'm really excited about the growth and the investments that we're going to make.

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

Yes. And what Scott just described is based on conversations and detailed discussions with our customers. Dan had mentioned a lot on the still water side, but it's in every single category I can think of right now. We're having pro can discussions with our customers and what that means in terms of contractual commitments, et cetera.

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

Great. And then I guess, just a final question. In terms of the volume growth, I guess it seems like in a lot of the regions, sort of first half of this year is going to be a little bit weaker. Can you just kind of, I guess, I think, direction on sort of how the cadence of volume growth should look as sort of the capacity comes online throughout the year?

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

In North America and Europe, your comment is correct. You should see kind of more of a second half lift when capacity comes online. And in South America, it should be pretty steady growth throughout the year because we did an awful lot last year, got Paraguay up and running, did some investments in Chile and Argentina. So we're doing some of those efforts now in North and Central America and in Europe. And so ongoing, you'll see greater growth rates in the second half of the year in Europe and North America and then building on that in 2021.

Operator

Next question is from Adam Josephson with KeyBanc.



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

Scott, just a couple more on the free cash flow. If I heard you right, you're expecting a working capital swing of about \$400 million because it was a source of \$236 million in '19 and a drag of \$150 million this year. Just to be clear on the \$236 million, was there any increase in factoring in that number? Are you anticipating any particular change in factoring? And then by the end of '20 in terms of the working capital drive that you're expecting, do you think your working capital will be at a stable level thereafter?

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

In terms of factoring, nothing different than what we had originally built into our plan. So really, the outperformance in the working capital had to do with way better collections at the end of the year and some things we did in aerospace even in collections. So it was less about factoring than it was about other real performance improvements. In terms of going forward, if our business continues to grow like it is, and remember, we're going to ramp the cups business. They will start producing at the end of '20, but really start really ramping in '21. So I could see more growth and more investment needed in the working capital to support the growth in our businesses.

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

Just on the pension, Scott, so it will be a source of \$125 million. How funded are your plans at this point? And do you expect to have to make contributions post 2020?

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

Yes, we have active plans. So we'll continue to make contributions, but we had extra cash flow, very strong cash flow in '19. That's why we funded an incremental amount of the plans in '19. We'll fund about \$90 million into the plans in 2020. But we're in pretty good shape from a funding standpoint.

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

Okay. And just one back to the European conversion situation for a second. Can you just kind of elaborate on how many customers, and forgive me if I missed this, how many still water customers in Europe you're talking about, Dan, in terms of adding capacity for, and roughly kind of how many cans those conversions represent based on what you're talking about for '20 and beyond?

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

Yes, I don't have the numbers off the top of my head. I would say that still water will be a bigger impact in North America moving forward than Europe.

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

Yes. It's too difficult to quantify because we're talking with the biggest brands and start-up brands and everything in between. And I think just when you look at the overall absolute amount of still water, the consumption trends in a year in the United States are probably greater than they are in Europe.

Operator

Our next question is from Brian Maguire, Goldman Sachs.

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

Dan, thanks for the comments on the 3- to 5-year growth CAGRs by region. Just this has kind of been asked a little bit already, but just to be clear on that, you're not expecting or you don't need to see a material pickup in this trend towards plastic substitution to hit those. Do you think that's just relying on kind of continuing existing markets and existing trends you're seeing and anything you got from still water would be gravy to those numbers?

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

Exactly. Yes. And when we're talking about still water, I mean, even in our 4% to 6%, we're talking about the premiumization end of it. We're not talking about the full 500 billion single-serve plastic water bottles around the world. It's the very high end of that. We are not seeing significant conversions on the base brands. We don't need that. Just referencing John's KPI that we're looking at, it's just the new product launches are disproportionately going into cans, and that is accelerating our growth trends. So we look forward to the base brand shifting, but that's not incorporated in kind of our growth assumptions at this point.

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

Okay, great. I just wanted to come back to the aluminum cup a little bit. I think you said you're spending it sounded like \$20 million of OpEx investments in 2020 to support it? Is that did I hear that right?

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

That's right.

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

And is that mostly marketing and promotional spending, R&D? Or can you kind of just give a little bit more color or details on where those costs are kind of are?

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

Sure. Yes. But I'd say 30% of it is what you just characterized, and then even in that, we've got to hire somewhere in the neighborhood of 100 and 120 folks to run our facilities. So you've got some of the investment cost, pre-spend and training that's also in that number.

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

But just to give you a sense, as we sit here right now, we've already hired marketing and new business folks for not only the arena side of the business but also the go-to-market in terms of retail. So those are the types of carrying cost, OpEx that we're talking about.

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

Okay. And just last one for me. Just the reclassification of the facilities in Turkey and Egypt, if it makes sense, given the size and scale of what's going on in the Middle East. But do you think there will be some OpEx or cost-cutting opportunities from that and/or opportunities to maybe move that volume, mix it up by moving it into other regions from there?



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

This is John. On one hand, yes. On the other hand, no. We've actually closed the Dubai office, but remember, over the last 3 years, we significantly downsized that. So there's nothing material. The Saudi market, as we sit here right now, is not a very healthy market and that's probably not necessarily a headwind relative to 2019 but we don't see any upside to that, whereas you compare to what we've seen over the last couple of years in Turkey and Egypt, there's probably some operational upside to that. But in the grand scheme of things, this was not a cost-cutting play. This is an ability to focus on what's important.

Operator

Next question is from Mark Wilde with BMO Capital Markets.

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

Dan, I wondered if you could start off. I had always understood the South American beverage can market to be almost completely a beer market, and it sounds like you're seeing other beverages move into cans down there. Could you just give us a sense of sort of how big that non-beer segment is right now and what you think the trajectory is?

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

That's a great question. I mean, it's overwhelmingly a beer market. We anticipate it to be overwhelmingly a beer market going forward, at least in the next 3 to 5 years. There are pockets of opportunity, but a lot of our growth opportunity even in South America it's actually more beer more than anything, and that's because it's transitioning out of returnable glass or one-way glass. The other side of the business, I do think still water will be an opportunity. I mean, we're seeing pockets. Energy drinks are probably going to be a bigger growth area and an area of focus for all of the large global players. It's a big juice market. We've got some filling challenges there but we're working on some technologies that may open up those markets. But I think going forward, 80% of that market is beer and there's still a lot of can penetration and can growth available to us. If something really opens up like still water, I think we're poised with our system to take advantage of that. But how we're looking at that market is continued strong growth in beer, continued substrate penetration by cans into returnable glass, and that trajectory looks pretty healthy for the next 3 to 5 years.

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

Okay. And then you made some comments about kind of additional can sheet capacity in North America. Can you just put a little more color around that?

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

Yes, I think we've commented on this off and on probably over the last 18 months. And one of the things that we've spent a lot of time on with the folks on this call, are stimulating a base, a supply base in North America not only to derisk us from the volatility in tariffs, et cetera, with all the excess capacity of can sheet being in China, but stepping into growth and making sure we have a much more agile and nimble supply chain in North America. Those conversations are starting to really take a very positive form. And I would say that whereas a lot of the rolling mills and the can sheet providers were seeing a lot of benefits on the automotive side, that's still there for them. But suddenly, can sheet's looking a heck of a lot more attractive at a nice growth rate, and I think there's more profitability in this when they really look at it intentionally. And so I feel comfortable that over the next 18 to 24 months, we'll start to see some investments, maybe not significant, but enough to kind of manage the supply for more cans and more PET substrate shift into cans.



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

Okay. And then last one for me. You mentioned being more proactive on the sort of carbon footprint argument. And one of the big beverage company's CEOs did an interview in the fourth quarter and he was really making the case for plastics again on a carbon footprint basis. So I wondered if you could just provide us with your perspective on that whole issue.

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

Yes, this is John. Let me kind of jump into that. I know over the next coming weeks and months, you're going to be reading about some independent third-party LCAs that actually show the exact opposite. It is true that if on an LCA basis, if you're using 100% virgin aluminum in it, that the carbon footprint is higher. But the reality is over 70% of all aluminum cans produced in the world today, 70% of that aluminum is recycled content. When you look at the facts and you put that in, it is lower than PET, lower than glass and lower than cartons, full stop, because of the infinitely recyclable nature of it. We, as an industry over the last 20 years, have not done a good job of articulating this as clearly as we should. And I think over the coming weeks, months and years, you're going to hear a lot more because I think the world is inundated with facts that aren't based in reality. And when you base the facts on reality, the can will stand up and will be better than any other beverage package on a CO2 perspective.

Operator

And the next question is from Mike Leithead with Barclays.

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

I guess, to start, first, the industry question, kind of similar to one of George's questions. But I was just wondering if you had any sense of how much of the industry volume growth you think is being driven by new categories or offerings by the beverage companies versus just purely like-for-like packaging substrate shift. I know it's an inexact science, but any color you think you have would be great.

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

So I think we probably parse this out amongst the regions because they're all a little different. I'd say the growth rates in Europe of 5% versus, historically, 3%, that lift is almost 100% sustainability-driven, at least we believe. We can't point to any specific KPI. But when we look at still water growth and some of the other products moving out of their existing substrate into cans, that feels like real inertia and sustainability. In North America, the doubling of our growth rate is probably comprised of 2 things: one, its sustainability and has a lot to do with what John's indicated and what we've said here, which 1/3 of all new product introductions 3 years ago were in cans, and today, it's running at a 70% clip. The other thing that's happened in North America is spiked seltzers went into cans, and so that was a big help for us over the last couple of years. I would expect that growth to continue at similar rates for the next couple of years. But at some point, that will meter off, and then we'll be left with new products being introduced, and hopefully, those are going to win. Chances are we're going to get the winners in cans. And then sustainability, especially in the still water area, that will be almost 100%. That category, we can look at that and say that is substrate shift. In South America then, we haven't seen sustainability as strongly as we've seen it in North, Central America and in Europe. But what we are seeing is returnable glass and one-way glass in the beer space, in particular, shifting into cans. Some of that is new product introductions. They're using 100% malt, and the transition out of corn-based beers, we've seen that. The premiumization in there is one-way packaging and one-way can packaging. So that's new product introductions and returnable glass shift continues in a big way in Brazil, Chile and in Argentina.

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

Got it. That color is really helpful. And then just second one, a question on the aerospace business, an area that's seen tremendous growth the past couple of years for you guys and you expect it to continue growing double digits going forward. So I guess, are you seeing any bandwidth constraints

on that business's growth? I mean, I know you're mostly cost plus on your contract base. But I just mean logistically being able to handle a business that's grown this fast, is that impeding the growth rate at all?

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

No. I don't think so. Our management team has done a terrific job. I mean, when you think about bandwidth issues, I think of people and facilities. And we've been spending a fair amount. If you come out here to Colorado, you will see the growth that you've seen in our various 3 campuses, aerospace campuses from a facilities point of view. And the amount of new manufacturing capability, engineering capability and just, quite frankly, office space, that's one of the reasons why our corporate headquarters is a temporary office right now because we moved out so the aerospace, could accommodate the growth there. I think on the people side, we've been growing, we've been hiring 1,000 people a year for the last couple of years, and we've done a tremendous job of making sure that we're hiring the right people, that we're bringing them on from day 1, 6 months in, 2 years in and making sure that they have the appropriate training. And as we go forward, this is critical because we're still expecting to hire another 1,000 this year. After that, it's probably premature to describe anything, but we've been able to create a very well-oiled machine in the aerospace business for on-boarding our people. And quite frankly, some of the conversations Dan was talking about in terms of beverage can, we've had our HR folks talking with our aerospace folks to make sure that there's lessons learned going across the organization. So when I think of bandwidth issues, I think of facilities and people, and we've been doing a very good job. Our management team has been doing a very good job on both of those.

Operator

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

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

Just a couple of questions to tie up some loose ends. The other segment, how are you guys looking at that both on a quarterly basis and for the full year post the moving of the AMEA business and maybe that situation with aerosol? How should we think about the P&L contribution from that segment?

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

Yes. It's going to be pretty small. If you take out and move to Turkey and Egypt plants and their profitability into Europe, there's not much profitability left in the other segment. And then when you think about what we're going to be spending money on, cups will show up there as well. Cups is going to show up in the other segment. So it's going to be relatively consistent throughout the year but at a lower level.

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

Okay, great. And then, I guess, I'm just curious, food, obviously, it's been sold and you don't really mention it anymore, but anything that would track off, I guess, as we go through the year?

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

No. This is John. We have a minority interest in that. And so as we go forward, we think we've partnered with the right folks. We think that industry is in need of consolidation, rationalization. That was our thesis all along, and we brought a partner in to help us think through that. It's premature to talk about anything that could happen in that business. So it's playing out as we expected it to, and there's not any real news to report.

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

And then just lastly, there's been a number of projects in beverage can in North America that's been announced. There's probably a couple more that are coming in the next couple of months. I guess, I'll just bring up the question again around capacity. Are you guys at all worried about returns here and potential oversupply? Or do you think that's not really a concern at this point?

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

It's not a concern at this point. In fact, the concern is making sure we have enough cans to supply the overall market, and the reality is there is going to be new capacity. We don't know anything other than what we're doing. We're aware of that announcement by that independent down in Florida that actually most of it's going into the Caribbean market, but the market is growing at a rate very fast. And so we're just trying to keep our proportional share and grow with that market and try and win in the places that we can win relative to our skill sets. But there's going to be more capacity coming on, and that's actually a good thing because that means the can is growing. And as Dan said, our viewpoint isn't a 2 or 3-year viewpoint. This is a long-term point of view.

Operator

And our next question is from Debbie Jones with Deutsche Bank.

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

I wanted to ask, are there any broader themes that you're seeing when you talk to your customers about the type of can that they want, whether it be in kind of the new category growth or shifts due to sustainability? And what does that mean for the way you ramp up capacity? And is there any technology that you are working on that you think would be additive to this?

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

Good question, Debbie. I'd say in the area of still water, in particular, I could see a big play for 12-ounce standard cans, depending on what retail channel and what price point and where these sit. I would say the predominant can right now, our can conversations everywhere in the world, are your 12 sleek and your 16-ounce can, different variants to those. We are looking at a number of different innovations in different markets. This is one, though, I don't see a uniform exchange through all of the regions. But as John said this, and I think we believe this too, if we're making 40 can sizes in North America today, in the next 5 years, we'd love to be making 80. And we think we can do that better than anybody else and it will give the customers choice. It will give the retailers and our customers an opportunity to improve their margins. And so those are the conversations we're having across the board. There will be more opportunities to give you a little bit more color. But some of the bigger customers, we're talking to marketeers and brand managers for categories and flavor profiles. We haven't had conversations for decades, and those are going to open up all sorts of innovative conversations and different can sizes and formats, et cetera. So 12 standard is still going to have a place. It's still a growing pack size because of the sustainability mix, but I think overwhelmingly, specialty will continue to take the new product introductions, the new category expansions and the new launches. Those will all come in specialty containers.

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

Okay. And then my second question, is there a point at which, with the 4% to 6% growth I think you pointed to for the next couple of years, is there a point at which you can kind of shift into just adding lines at these various facilities to kind of fulfill that growth? Is that what you're modeling towards? Or do you expect that it's just going to be a continuation based on your current footprint of needing to build the new greenfield facility?

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

Great question. I think depending on the size of the market and where the orbit is that we're building, we are absolutely trying to create more modular incremental thinking off of an anchor investment. So we would like to be able to take 2-line can plants to 3 and 4. Well, that's a heck of a lot easier to do than to stand up 2-line can plants. But it'll depend on where the region is, the customer or the category, all of that will dictate probably size and scale to some extent.

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

Yes. And Debbie, if you go back by region, what we've tried to do is fill out as best we can, the existing bricks and mortar. And I think about when we acquired the South American business, it was a series of 1-line facilities and we rationalized and consolidated that to a point and invested in that with very little new bricks and mortar. Same thing we've done in Europe and even here in the U.S. We are reaching a point where we are having to invest more greenfield because there's no space in those facilities. But to Dan's point, we are designing those greenfields so they're much more modularized and we can scale them at a rate much faster going forward. But I think our existing historical footprint is, at the end of the day, largely filled out from a bricks -- within the bricks-and-mortar that exists.

Operator

And our next question -- and I do apologize in advance if I mispronounce the last name, Gabriel Hajde from Wells Fargo Securities.

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

Dan and John, you guys have mentioned still water a couple of times. So I'm going to focus on that a little bit. Can you share with us some of the conversations that you're having from customers? And are they starting from a point of differentiation and premiumization? Or is it starting from an ESG angle? And I'm sort of thinking about the comments that Mark made about what we're seeing in terms of other organizations supporting recycling technology and infrastructure to continue to have a multi-format approach or go-to-market strategy. So just trying to understand that.

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

So I would say, start with the retailer and back into the customer, and that will dictate whether it's a premium discussion or it's an ESG type of discussion. And we're involved in those conversations at present. For us, the easiest transition is into the premium side of the water. I mean, it opens up the doors to innovation. There's a higher profit pool there, and that's where the customers are starting, now what they're getting pushed by, green pieces and target these days and there's an awful lot of focus by the 2 big retailers, at least in North America and even in Europe on how quickly they can address some of the plastic that's in their aisles. But the conversations we're having right now, we're starting with premium. And if it transitions into other, you're going to have to address supply chain cost and filling and all of that in a big way. And I think the pressure will come from the retailers on to our customers, and we're certainly in a position where we can help them with those.

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

Yes. And the only thing I'd add is that from a customer perspective, what we're seeing is a wide variety of new start-ups that are taking advantage of the gap that exists right now. So they're starting in water and they're going only can.

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

That's helpful. And then, I don't know, John or Scott, can you put into context for us the comment about getting back to 10% to 15% earnings growth over a long-term basis? Is that something that is in your sights for 2020, specifically? Or is that more should we think about it over the next couple of years?



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

Well, I won't say getting back to because we never had to get back to. We've always been in fact, we were 15% last year. What we're saying is, historically, we've had 2 measurable focuses that much of our incentive compensation is tied to. The first is EVA dollar growth, and you can look at our long-term incentive plans and see that the target is 4%, the upside is 8%. We try and drive to that. The second that we have long term, as long as I've been at Ball Corporation, we have talked about our growth goals of at least 10% to 15% [EPS growth] per year. And we think if we execute in 2020, we could be at the high end or beyond of that range, but it's time to execute right now.

Mladen, we'll take one more question and then wrap it up.

Operator

We do have a follow-up from Adam Josephson with KeyBanc.

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

Just Dan, forgive me if I missed this, when you talked about Europe being up low double digits percentage-wise before the inclusion of the plants that you're moving, can you just repeat what you said about what that you expect the total impact to be growth-wise?

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

The double digit comment I think came from Scott on the earnings.

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

Oh, I'm sorry, just about moving the Egypt and Turkey plants into Europe from...

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

So I said Europe would be up low teens on a percentage basis, and then you'd have to add in the profitability from Turkey and Egypt, which was largely what showed up in AMEA before into those numbers.

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

Okay. I'll go look and just remind myself what that was. And then South America, Scott, you commented would be up as well. Forgive me if I missed this, did you quantify that as you did the other segments?

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

No. South America will be up kind of mid to upper single digits percentage-wise on an operating earnings basis.

Operator

And those are all the questions we have. I'll turn the call back over to you, sir.



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

Okay. Thank you very much, Mladen. Thank you all for participating. We look forward to starting the year strong in 2020. Everyone, have a good one.

Operator

And ladies and gentlemen, that concludes our conference call for today. We thank you for your participation. Everyone, have a great rest of your day. You may disconnect your line.

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