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PRESENTATION

Operator

Greetings, and welcome to the Ball Corporation Fourth Quarter 2023 Earnings Conference Call. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Dan Fisher, CEO. Thank you, sir.

Daniel William Fisher - Ball Corporation - Chairman & CEO

Thank you, Christine. Good morning, everyone. This is Ball Corporation's Conference Call regarding the company's fourth quarter and full year 2023 results.

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

If you do not already have our earnings release, it is 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. In addition, the release includes a summary of noncomparable items as well as a reconciliation of comparable net earnings and diluted earnings per share calculations. Before we discuss Ball's strong earnings and cash flow performance, I would like to remind call participants that on August 17, 2023, the company announced an agreement to sell its aerospace business.

The transaction is subject to regulatory approvals and certain closing conditions and adjustments. Relative to the company's aerospace divestiture, which is projected to close in the first half of 2024, certain forward-looking financial metrics provided in today's earnings release and conference call commentary, may differ from those expressed or implied due to the timing of the successful closing of the timing of the proposed use of proceeds. Today, I'm joined on our call by Howard Yu, EVP and CFO. I will provide some brief introductory remarks, Howard will discuss 2023 financial performance and key metrics for 2024, and then we will finish up with closing comments and Q&A.

Our team delivered strong operations-driven fourth quarter results and for the full year. We achieved double-digit comparable operating earnings growth and generated \$818 million in free cash flow. 2023 also delivered a dynamic set of strategic decisions and factors that influenced results and sharpened Ball's vision for the future including our decisions to sell aerospace for a premium valuation and to reduce fixed costs by adjusting our manufacturing footprint and factors that influence year-over-year results such as a large U.S. customer experienced a major brand disruption and \$86 million comparable operating earnings headwind due to the Russian business sale and the effect of Argentine hyperinflation and currency devaluation.

Late in 2023, we also had the good fortune of welcoming Howard to Ball. Many of you listening have already had the pleasure of meeting with Howard at multiple conferences and our investor community welcome reception in November. His financial expertise, engaging nature and fresh eyes are adding value out of the gate and activating another stage of continuous improvement actions at Ball. Over our 144-year history, each year has presented its opportunities, challenges and changes and the legacy of how the Ball team continuously adapts to position the company for long-term success is the reason we are all here today.

I'm proud to say that the resiliency of our team and our chosen substrate, aluminum packaging, combined with improving plant and program execution more than offset the earnings impact of challenges experienced in 2023 and there were and are many more things to be done to make the most of our opportunities. Reflecting further on 2023, our customer mix and inflationary effects on end consumer demand drove our shipments.

Global shipments ended 2023, down 3.3%, excluding the Russia sale impact and shipments would have ended the year roughly flat versus 2022 absent the U.S. brand disruption issue. All in, the aluminum package industry continues to outperform plastics and glass packaging.

For Ball, continued volume strength in Brazil and better-than-expected volume in North America to close out 2023, offset regional softness in Argentina and EMEA.

For a complete summary of regional shipments for the fourth quarter and full year of 2023, please refer to today's earnings release. Looking ahead, our global teams are energized by recent commercial wins and other constructive customer discussions to continue package mix shift to cans. We will continue to advance sustainability aluminum packaging by accelerating our pathway to carbon neutral and leveraging the scale of our footprint, innovative portfolio and value chain partnerships to expand opportunities for our customers over the long term.

Given seasonality, our customer mix and the April 2024 anniversary of the U.S. customer brand disruption we anticipate year-over-year volume growth to favorably inflect after first quarter 2024 and accelerate further in 2025. Significant opportunity lies ahead to offset the financial impact of the projected aerospace sale and to drive compounding value creation for our fellow shareholders.

Key drivers in 2024 will be the utilization of net proceeds from the aerospace sale to deleverage and repurchase stock. Improving operational efficiencies and fixed cost absorption, leveraging our well-capitalized plan assets to grow the use of innovative, sustainable aluminum packaging across channels, categories and venues in addition to further actions to strengthen the balance sheet and reduce long-term liabilities.

Based on our current demand expectations and the potential timing and benefits of the aerospace sale proceeds, we are positioned to grow comparable diluted EPS, generate strong free cash flow, strengthen our balance sheet and accelerate return of value to shareholders in 2024.

We look forward to showcasing our team and unveiling our future operating model and long-term growth plans at our biennial Investor Day scheduled for June 18 in New York City at the New York Stock Exchange. And with that, I'll turn it over to Howard.

Howard H. Yu - Ball Corporation - Executive VP & CFO

Thanks, Dan. Over the first few months of my onboarding and immersion, I have learned more about the business by visiting our teams in North America, South America and EMEA toured multiple manufacturing facilities to see how our innovative products are made and attended several investor events where I've had the opportunity to meet many of you on this call. It has become more apparent what a terrific workforce we have around the world and what a tremendous opportunity we have in front of us to make an impact for our customers, shareholders and communities.

I would like to thank my global colleagues, investors and analysts who have taken the time to give me such a warm welcome.

Turning to our results. 2023 full year comparable diluted earnings per share was \$2.90 versus \$2.78 in 2022. And fourth quarter 2023 comparable diluted earnings per share was \$0.78 versus \$0.44 in the fourth quarter of 2022, an increase of 4.3% and 77.3%, respectively.

Full year sales decreased due to the pass through of lower aluminum prices, lower beverage can volumes and the sale of our Russian business, offset by the pass through of inflationary costs and increased volumes in our aluminum aerosol business. Full year comparable operating earnings increased nearly 10% year-over-year, primarily due to the contractual pass through of inflationary costs, fixed cost savings and benefits of our prior year SG&A cost-out initiatives, offsetting the headwinds in the sale of our Russia business and lower volumes. The global operations team finished the year strong, hitting their CapEx, raw and finished inventory goals, setting the stage for continued improvement of better fixed cost absorption in 2024, particularly after we anniversary the customer brand disruption and cease production in the Kent plant in the first quarter of 2024.

Versus recent years, we anticipate our production aligning with shipments as we step into incremental volume growth later in 2024. In North America, supply-demand has tightened up following the footprint adjustments, and we continue to focus on lowering costs across our well-capitalized plant network and driving incremental volume growth without spending incremental capital. Exiting 2023, PPI remains a net positive.

Non-alcohol global key accounts have started to gain traction in retail, and we continue to prepare for additional modest volume improvements after the first quarter and net of historic customer shifts. In EMEA, the business nearly filled the \$86 million comparable operating earnings hole from the Russia business sale and continue to navigate varying consumer end demand conditions, particularly in Egypt, Turkey and the U.K.

The business is poised for year-over-year comparable earnings growth in 2024 largely in the second half. In South America, our volumes increased 2.2% in the fourth quarter of 2023 despite ongoing weakness in Argentina. We continue to monitor the situation in Argentina and potential scenarios that could impact results. We remain optimistic about Brazil with January volumes off to a good start as the summer selling season continues.

Our non-reportable results led by aluminum aerosol's 8.2% volume growth and double-digit operating earnings growth finished 2023 strong. Moving on to additional key financial metrics and goals for 2024. We achieved our year-end 2023 net debt to comparable EBITDA goal of 3.7x and incorporating the use of projected aerospace sale proceeds and strong cash generation in 2024, we anticipate year-end 2024 net debt to comparable EBITDA to be in the range of 2.7x. 2024 CapEx is targeted to be in the range of \$650 million, a year-over-year reduction of \$400 million and largely driven by carry-in capital related to prior year's projects. 2024 free cash flow is expected to be in the range of positive \$500 million (excluding the approximate \$1 billion in tax payment related to the sale of Aerospace).

Our 2024 full year effective tax rate on comparable earnings, including the effect of projected aerospace sales is expected to be approximately 21%, largely driven by lower year-over-year R&D tax credit.

Full year 2024 interest expense is expected to be in the range of \$330 million, including the impact of lower leverage following the successful aerospace closing.

Full year 2024 corporate undistributed costs recorded in other non-reportable as expected to be in the range of \$85 million and more first half weighted versus last year. And last week, Ball declared its quarterly cash dividend, and we look forward to reinitiating meaningful share repurchases during 2024 and beyond.

Also, a call out about tough year-over-year comps we faced in the first quarter of 2024 driven by North America and corporate costs. Due to the 2023 favorable Virtual Power Purchase Agreement settlement totaling approximately \$30 million and a similar impact of the customer brand disruption, which did not anniversary until April of 2024. North America earnings and volumes will be down year-over-year in the first quarter.

Looking at 2024, we will be laser-focused on operational excellence, driving efficiency and productivity across our business, optimizing SG&A costs and offsetting stranded costs post aerospace divestiture in addition to strengthening our balance sheet by deleveraging and other actions. We are committed to delivering value through share repurchases and dividends, and we'll communicate and stay close to our shareholders. With that, I'll turn it back to Dan.

Daniel William Fisher - Ball Corporation - Chairman & CEO

Thanks, Howard. As we continue to make progress in 2024, we anticipate growing our EPS and offsetting the divestiture through growth in our aluminum packaging operations, interest income, lower interest expense and the benefit of a lower share count. Looking ahead, we are focused on executing our enterprise-wide strategy to advance sustainable aluminum packaging solutions on a global scale by accelerating our pathway to carbon neutral and unlocking additional value from within the organization by driving continuous process improvement and operational excellence.

Together, we will strive to deliver innovative aluminum packaging solutions that can lead to a world free from waste and embark on a path to deliver compounding shareholder returns in 2024 and beyond. We appreciate the work being done across the organization and extend our well wishes for a prosperous 2024 to our employees, customers, suppliers, stakeholders and everyone listening today. Thank you to everyone listening. And with that, Christine, we're ready for questions.

QUESTIONS AND ANSWERS

Operator

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

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

Dan, maybe you could just start off just kind of giving us a base case for volume assumptions across the different geographies you have exposure to for 2024. I know you made some comments on the first quarter, but how do you think the full year is sort of going to unfold with all these ups and downs across the segments, Europe starting to decelerate and obviously, comps in North America.

Daniel William Fisher - Ball Corporation - Chairman & CEO

In Europe and North America, you'll see volumes get better sequentially. You'll start to return to growth, somewhere in the second quarter in North America, and you'll see growth in the second, third and the fourth quarter in Europe as well. North America is unique, obviously, because we're lapping the difficult comp there. But we'll get to flat for the full year in that range, maybe a little better, but you'll start to see sequential improvement towards the end of the year and then heading into 2025 we'll be kind of in that growth range of 2% to 3%.

That being said, Ghansham, it's early days, but we're a little ahead here in January, really in all three regions that should be noted. So it's only one month, obviously, but we're actually seeing positive inflections in the U.S. for the last 4 weeks, slightly favorable, and for 1 week we're favorable, and that's the first time in a couple of years that we've seen that. So knock on wood, off to a decent start. I'm not overly excited, but it's better than it has been. So that's a positive.

And then in South America, we believe mid-single-digit growth. Brazil continues to be strong for us.

Our exposure to the other markets will play a role. Argentina is a little ahead of what we thought it would be from a plant basis, but that's still down year-over-year. But I think a lot of the changes that the executive branch made in Argentina. They're coming off as a little bit more favorable than I think a lot of the world thought would happen from a macroeconomic standpoint at the tailwind of last year. So we're a bit encouraged there, but it is Argentina, let's see what happens.

So 2% to 3% growth globally, mid- to high single digits for South America, low mid-single digits for Europe and flattish with a lean that we could get a little bit of growth in North America for 2024.

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

Great. You need Taylor Swift to push cans. Second question, I just want to make sure I understood the free cash flow was \$500 million for 2024. And if so, what are the embedded assumptions in there? I know you gave cash interest I mean, interest expense because we're having a tough time getting to that number with \$650 million of CapEx.

Howard H. Yu - Ball Corporation - Executive VP & CFO

Sure, Ghansham. So let me try to walk you through that a little bit. We have a tax payment that's going to be associated with the aerospace divestiture, that runs through our operating earnings so, it's going to impact our free cash flow (approximately \$1 billion). We have talked about a \$650 million CapEx number that we anticipate as well for 2024. And in 2024, we will be unwinding some of the factoring on the balance sheet that we have historically used (approximately \$500m)

So that will obviously be an outflow from a cash flow perspective. To speak to the underlying business, we will continue to generate the operating cashflow that you see roughly in the range of \$1.5 billion to \$1.8 billion consistent with what you saw here in 2023.

Operator

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

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

I guess first off, in North America, I just wanted to understand what you're seeing as far as promotional activity and maybe you can just kind of reiterate or update your thoughts on how we kind of proceed through the first half? And if there's been any offset from the Bud Light loss in other kind of brands that you're seeing or customers?

Daniel William Fisher - Ball Corporation - Chairman & CEO

I think your question leans a little bit into am I seeing any promotional activity? Is there anything different just in the domestic landscape here. What we're hearing from our customers, and it's manifesting slightly, you don't see a lot of promotional activity in January you do as we now the next two weeks as we lead into Super Bowl is typically when you would see some traditional, and we are seeing some of that.

But I think writ large, with every one of the large CPG customers acknowledging that they're going to have to fight for top line this year that should benefit us, that should benefit the industry. We're seeing some inflections of growth, as I mentioned, in the 4-week

and the 1 week that look different than, I think, the last 18 to 24 months. So that's all positive. And then relative to kind of filling the Bud Light hole if you will. Yes, there's some incremental volume that's helping to net impact that. But for us, we do a lot of that product, and they have a vertical. And so we're exposed to that brand. The things that were exposed to elsewhere are much smaller. They're growing. They're filling in some of the hole, but it's not material, I would say it's incrementally better, not materially better. It's still the best thing is going to be other products from that particular brewer to grow.

And so I think that with the combination of you are seeing that brand kind of bottom out and starting to increment up so all of those things, we anticipated it looking like this probably for the last 6 to 9 months, and we've indicated that. There's nothing meaningfully different from a guidance standpoint that I could really share at this point. We may see a little bit more now that we're heading into Super Bowl and some more traditional promotional activities.

But I don't think you've completely closed the gap on this until we see other brands, other products kind of close that gap for us here as we lap the April sunset of that marketing issue.

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

Great. And then if I could just ask one more follow-up on the portfolio or at least the footprint, do you think there's more actions that are coming as far as supply-demand and maybe your own capacity footprint, maybe by region, is there a need to maybe adjust some of your footprint in Europe or North America?

I know you're not going ahead with Las Vegas. But what are some of your thoughts? And maybe you can just kind of loop in if you're expecting to announce like a larger-scale cost reduction program within North America or if you're kind of satisfied with where you are?

Daniel William Fisher - Ball Corporation - Chairman & CEO

Yes. I think within North America, we're satisfied. I think we're seeing other industry participants kind of model our behavior. What we've done just at a high level, and I appreciate the question, is we've really retired candidly older, less efficient assets that were going to require a lot more maintenance CapEx to get them up to where we needed to be to perform in the marketplace.

So we've got, if you will, a more fit-for-purpose structure in North America. And as you see volumes inflect, we won't need cost out, what we just need to do is continue to run these facilities as we are, continue to ramp up the learning curve. Some of these are still new with new lines. And all of that will lend itself to a more productive and a higher profitable leverage fall through as we see the ramp-up.

Europe, I think we've got to continue to look at Europe. I think we've got to continue to look at South America, just be cognizant of the fact that there's a lot going on in those regions. There's a couple of conflicts in Europe and the Middle East. So all of that will certainly play a role, inflationary pressures, whether or not the regasification takes place in Europe.

So a lot going into those conversations and decisions, but I think our footprint is really solid to deliver on the plans that we've built here, pretty modest growth for this year and just trying to take advantage of all the actions that we've laid in place and continue to see plants perform and more productivity to be generated as volumes inflect.

Operator

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

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

So first question I had, thanks for the rundown on what you're expecting I know you're focused on Ball Corporation, obviously, but what do you think the market, particularly North America will grow at this year if you had a sense? Your normal growth rate would be 2% to 4%? Or do you think it's a little bit less than that or more than that?

Daniel William Fisher - Ball Corporation - Chairman & CEO

Yes. I do think it will be in that 2% to 4% range. There's been some contractual shifts a little bit that's been well documented. So us being flat means that we've rebalanced our portfolio. I think some others may be growing a bit. So yes, I'd say low end is the 2%. Let's see what happens in peak season, but we're off to a much more normalized pricing behavior by our customers. We need to see that in order to feel some level of confidence in the underlying volumes, and they need volume.

So I'm feeling good. It's in that longer-term range with the possibility to inflect into 2025 there's a number of conversations in and around some substrate shift. That's back in the ether in a manner in which it hasn't been for the last couple of years. So you might exit the year with a slightly better run rate. But I think that 2% to 3%, 2% to 4% is a pretty good range industry wise.

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

Okay. No, I appreciate that, Dan. And one question I had in terms of impact it's having either positive or negative for you in terms of your operations and demand. There's been some discussion in the trade about some of the beverage companies having their operational issues to plan around, which may have led or may lead to disruptions.

Will that be a help ultimately for you? Did that impact fourth quarter at all? Just trying to peer there to the extent that we can. And then my last question, I'll turn it over. When you talk about carbon footprint, the plastic guys beginning to push on carbon footprint. What's your one-two punch in terms of why do you think aluminum is better on that metric versus plastics when we look about carbon footprint through the supply chain?

Daniel William Fisher - Ball Corporation - Chairman & CEO

Yes. I think from a balance sheet standpoint depending on what region you're in, it could be better and it could be worse just for full disclosure. I think our plans and the investments that you're starting to see in rolling capacity coming online that's not fully online, but continues to be invested in. And a number of those, it's 85% recycled content that's been guaranteed on the sheet.

It's green energy and the backdrop of what's going to be fueling those facilities. So a lot of that is happening and a lot of that's happening around the world. We're already, for example, in Brazil, much better than any other substrate in terms of the carbon footprint there. And so a lot of the supply chain, a lot of the investments and a lot of that industrial complex in and around aluminum will reflect getting to where Brazil is.

On top of that, there are technologies that are being introduced on the virgin aluminum side that are quite encouraging. And we actually just introduced 10% virgin aluminum on our cup with 90% recycled content, that's very close to carbon neutral because the virgin aluminum now, there's a couple aluminum companies that have developed carbon-free smelting operations and technologies. Those will continue to be invested in. A number of companies will do that.

And so as you start to progress toward 2030 really being the goal, whereby people are going to have to put up or shut up. I like the trajectory of flight for aluminum right now, much more than I did even 2 years ago to be quite honest with you. So I think the investments are showing up. The supply chain is committed in lockstep in a number of associations to get to some of these aspirational targets. And there are offtake agreements and investments happening to ensure that that happens.

So this is no longer a theoretical argument for us. We have real plans to get there, and I'm confident we'll get there in a shorter period of time than anybody else. But we have to continue to see that investment and continue to step into that. So that's the truth and where we're headed, and it's going to become more and more transparent, and we're working with our customers to get there. They need this as well with some of the SEC reporting that's being talked about in 2027 and obviously, the European reporting requirements that show up in '26.

So we're kind of sprinting after this carbon neutrality in a way that everybody has kind of got to put up or shut up, and I think we're in a good spot to deliver.

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

And just on customer disruptions and what it might mean for you?

Daniel William Fisher - Ball Corporation - Chairman & CEO

Yes. We're talking specifically of North America. We have the ability. We've got a little slack capacity. We're running our plants much better than we were over the last 2 to 3 years. And so I think we're going to be able to react better. We have much better dialogue, much better supply plans, much better S&OP processes. We were all forced to dust those off over COVID and the supply chain.

Okay. Thank you. Sorry about that. We lost connection there for a second. I think in response to the last question, I think we're in a good spot to react to volume surges, if you will, just because of how we're operating in North America, the slack capacity we have and the conversations and the S&OP process that's been established and currently being refined and improved upon each and every day. So feel good about our ability to react to that.

Operator

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

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

First question, just on North America. I think for the full year, your volumes were down about 7%, but your operating EBIT was up about 11%, which suggests your unit economics got quite a bit better this year. So if we do return to, say, a 1%, 2% volume type environment, I guess what sort of incremental margin should we expect on actual volume growth here in the business?

Daniel William Fisher - Ball Corporation - Chairman & CEO

Yes. Keep in mind, just as a reference point, this year had a bit of catch-up in terms of PPI economics. And so on a go-forward position more in line with our historical, if we get a percent of growth, we should get 2x that in terms of earnings, inflection. There's a chance to do a bit better because our footprint is in a better spot. It's more cost-effective.

But thinking that 2x the volume unit growth in terms of earnings flow through and maybe a smidge more for the next coming years depending on mix and channel and category and customer is about right.

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

Great. And then second, just for Howard. I think you mentioned, if I heard correctly, about \$500 million for AR factoring unwind in 2024. I guess, how much cost savings would you expect from that action? And where is that cost currently showing up in your P&L today?

Howard H. Yu - Ball Corporation - Executive VP & CFO

We use the current spot interest rate associated with the savings. So if you take \$500m let's call it, roughly 4% of that. And so as it relates to the savings, we would see it come through in the segment operating earnings on the SG&A line.

Daniel William Fisher - Ball Corporation - Chairman & CEO

And the two regions specifically building on that is where the higher cost programs are in South America and in North America, but South America given the current spot market interest rates.

Operator

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

Edlain Rodriguez - Mizuho Securities - Analyst

Just a quick follow-up on the capacity closure question. I mean, yes, you have rationalized your footprint. Do you think the industry as a whole is where it needs to be, like other industry players need to close some capacity? Or is the market balanced now given the expected recovery in volume?

Daniel William Fisher - Ball Corporation - Chairman & CEO

Yes. I think the industry writ large in North America, I think, is specific to your question, is in a good spot. And keep in mind, we're probably holding on to the majority of the excess capacity, given the beer brand. So we're managing that. We're managing that on a cash basis. That will inflect over a period of time. But I think the industry is growing at 2% to 4%, I think this is a good equilibrium to operate from in terms of asset utilization and supply-demand balance.

Edlain Rodriguez - Mizuho Securities - Analyst

Okay. And just one quick one on Argentina. Remind us again like what's your exposure there? Like how much is Argentina's percentage of sales for the company? And do you expect people to be drinking less there because of the currency devaluation or what are you expecting there?

Daniel William Fisher - Ball Corporation - Chairman & CEO

Yes. So the volume comment, there's a joke in here. I would expect them to be drinking more. But in all honestly, what we're seeing is the beer space is quite resilient. And can growth and aluminum packaging growth versus glass has been very positive over the last handful of years.

Let's see how folks get on there, but we're looking at Argentina being essentially flattish, maybe a tick better year-over-year '23 to '24 and inflecting in the back half of the year, probably in terms of volume and into '25. But they continue to drink beer and they continue to drink beer out of cans and I just don't see a tremendous amount of growth or we shouldn't be counting on tremendous amount of growth versus last year until things start to settle down a bit more there.

Howard H. Yu - Ball Corporation - Executive VP & CFO

Yes. I think maybe just to go ahead and characterize the size of business for us, it's roughly about 1% of our operating earnings in 2023 and represents about 2% of our volume. And so clearly, despite seeing 2023 negative volumes there in Argentina in the region, we still drove 2-plus percent growth driven by the strength of Brazil. So hopefully, that helps characterize a little bit about the size of that business.

Operator

Our next question comes from the line of Philip Ng with Jefferies.

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

You guys have been cutting on and off, and I think Howard when you gave your outlook, part of that was cut off. So I just want to make sure I heard you correctly. So you're guiding to \$500 million of free cash flow for 2024. But from a normalized basis, that would probably look a lot better. Did you say, Howard, it was like a \$500 million headwind from factoring reversing?

And there's some impact on the tax for aerospace sale. Can you just kind of flesh that out, just to make sure we understand what the true free cash flow with power of this business would look like?

Howard H. Yu - Ball Corporation - Executive VP & CFO

Sure. So you're right, Phil. I think that is correct that in 2024, we do anticipate about \$500 million of factoring reduction. What that will do is essentially add back in working capital. So it's a use of cash in that regard. And then of the \$5.6 billion total proceeds associated with aerospace we anticipate about \$1 billion of that as a tax payment, and that also flows through operating earnings. And so even though the inflow comes via investing, the outflow goes out of operating.

And so I think those are a couple of the nuances associated with the year. To bridge for you guys from a '23 standpoint, our operating cash flow in '23 was about \$1.8 billion, maybe a little north of that. Less the working capital in 2023. That's about \$360 million. That gets us to a jump-off point, a base of 2024 of about \$1.5 billion operating cash flow. And then if you go ahead and take out the tax payment, that gets us to about the \$500 million in free cash flow that I referenced.

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

Okay. That's helpful. And then on Europe, can you guys provide a little more color. The quarter is definitely a little softer from a volumes perspective. Profitability still looks quite strong. How are things kind of shaping up to start the year? I think Dan, you were kind of pointing to maybe that business inflecting positively from a volume standpoint, maybe sometime in 2Q. But just kind of give us a little more color on how things are progressing in Europe and what you're seeing there?

Daniel William Fisher - Ball Corporation - Chairman & CEO

Yes, Phil, I think you're right. South America and North America ended the year inflecting favorably in terms of volume versus sort of our anticipation and Europe was softer.

I think Egypt and Turkey weren't helpful in terms of volumes in the fourth quarter. So that was a bit of what you're seeing in terms of a drag. Where we started the year, again, it's 4 weeks. We're a little bit better than what we thought and we thought we'd be kind of flattish to down in the first quarter year-over-year for Europe. Right now, through the first 4 weeks, it's actually a little better.

We thought that heading into peak season in the second half of next year, inflation would moderate in Europe and consumers would do a little better. I think you've seen a lot of retailers get pretty aggressive with CPG companies in terms of what prices they're showing on the shelves. And all of those conditions should move favorably toward volume for us.

So hopefully, that gives you some indication. We're still looking for modest growth for Europe, inflecting sequentially in the quarters in the back half of the year. And we might be able to do just a smidge better here in the first quarter if all of these things continue to manifest in the way they are right now that we're seeing.

Operator

Our next question comes from the line of Adam Samuelson with Goldman Sachs.

Adam Samuelson - Goldman Sachs Group, Inc., Research Division - Equity Analyst

So I guess maybe just coming back to South America, and I know Argentina had issues in the fourth quarter. Volumes in the segment were up too, profit was up 60%. And I'm just trying to make sure, with FX and hyperinflation and the Argentina impact, I'm understanding kind of the magnitude of that profit growth in South America as we think about what that business will do or can do into the future if you don't have some of those disruptive impacts by the end of next year.

Howard H. Yu - Ball Corporation - Executive VP & CFO

Yes. I mean, Adam, I do think that we have quite a bit going on in Argentina and as we do various scenario planning, we continue to contemplate how things are looking with the fiscal policies and the like. But if you've looked at that business historically, it has been one of our best-performing regions.

And we continue to monitor, obviously, and derisk where possible. But as of today we believe in that market, and we want to make sure that we support the customers there and our view on that business being intact long term remains.

Daniel William Fisher - Ball Corporation - Chairman & CEO

Yes. I would add just a couple of comments. When you're in more volatile emerging markets "countries," you get paid really well to be there. So when that volume is off, your margins will dissipate just from a country mix standpoint. That's the environment we're in probably versus where you saw us a couple of years ago and specific to Argentina. So that volume matters. And as that comes back, we'll inflect up and we'll leverage up, and you should see that improvement. Brazil has been very resilient here. The second half, we saw that inflect. We continue to see a strong January, and our folks are calling for a decent and improved Q1, and that will help. Things that matter in Brazil then are going to show up in terms of product mix, the way we sell our can and ends to our major customers have pretty big tax swings and impacts there.

So that will matter. But in terms of the full year, quarter-to-quarter, maybe a little choppy, but the full year, we'll continue to deflect, see a more profitable business there and see mid- to single-digit growth. Chile is off to a decent start, Paraguay off to a decent start. So I'm feeling good about South America. Argentina is meaningful for us, though, in terms of the question that you posed.

We're holding to kind of flattish earnings year-over-year. And so as we get growth from other areas, the margins won't look, I think, on a mix basis as good. But the earnings will flow through consistent with those regions and what those customers have delivered historically.

Adam Samuelson - Goldman Sachs Group, Inc., Research Division - Equity Analyst

Okay. No, that's really helpful. And then if I just ask a follow-up on the other kind of non-reportable businesses, aerosol and the cups business. Aerosol business had a good fourth quarter. How do we think about that line item offsetting corporate moving into '24?

Daniel William Fisher - Ball Corporation - Chairman & CEO

We saw a year-over-year 40% improvement in operating earnings for the aerosol business. We're going to see double-digit growth in earnings next year. The team has done a phenomenal job turning that business around, and it's inflecting to growth. And a lot of that has to do with this reuse category that's emerging in places like Europe in the personal care spot, even the beverage spot side that we're taking advantage of and very disciplined contract management in terms of inflation and things of that nature.

So that business will have doubled in earnings over about a 36-month period. We continue to see nice growth there. Cups will be incrementally better. We've seen food service grow. Retail has come off. It was a difficult retail year, but we should see continued tailwind in terms of the food service. This is really the big opportunity set for cups but negligible margin improvement, maybe think in the terms of \$5 million to \$10 million better year-over-year there.

Operator

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

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

A lot of ground covered today. And just wanted to follow up quickly on the business development efforts you're pursuing. You called it out during the press release. Any reason why you felt the need to call it out? And is this something that you've recently accelerated?

Daniel William Fisher - Ball Corporation - Chairman & CEO

Yes, we are making a more conscious effort to push innovation and it's being received it's a catch-22, right? Somebody has to be asking for it as well, and we're seeing more of that. I think I made reference to this in the last earnings call as well. It's going to take innovation and it's going to take differentiation for our customers. It's not just going to be pricing as they move forward. And so in order to grow, they're going to have to get back to what they've historically done, new product launches, new brand launches, new innovations, all of that's going to matter and that is something that we do really well. And so we're stepping into those opportunities, and that's why we called it out. And I suspect over the back half of this year and into '25, you'll start to see some things show up on shelves that we're encouraged about and I'll leave it there.

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

Got it. And does that require any headcount?

Daniel William Fisher - Ball Corporation - Chairman & CEO

It doesn't require a headcount. I think we have what we need. You've always got to look at your business and identify whether you have the right skill mix. And I think those are the things that we're doing. And candidly, we'll talk about this more at Investor Day in June, but we're on the verge of being exclusively an aluminum packaging company, and that's going to have a couple of advantages, right? We are great in innovation, and we can sell sustainability at scale. And those two things need appropriate resources behind them. But that does not mean we're adding costs. In fact, we should be able to do this in a much more efficient manner than we have historically.

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

Got it. And one quick follow-up in. Just in terms of the retailers resetting shelf space, any early signs on how that's going to play out and when you maybe using some of that underutilized capacity that you have?

Daniel William Fisher - Ball Corporation - Chairman & CEO

We're definitely growing with folks that are taking shelf space and share. It is inflecting in a couple of plants directly located to those customers. I wouldn't say it's meaningful across the system, and it will continue to grow but you really won't see those shelf space impacts until peak season. That's where we really manifest. And so Q2 and Q3 will be something that could kind of alter hopefully, positively our outlook as we're giving it today.

Operator

Our next question comes from the line of Gabe Hajde with Wells Fargo.

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

Somewhat of a fact check here, Dan. You mentioned growth would have been flattish, I guess, on the volume side, had it not been for the brand disruption. Is that directionally then about 3 billion units that we should be thinking about?

Daniel William Fisher - Ball Corporation - Chairman & CEO

That's exactly. I mean, 3 billion and somewhere in that \$80 million to \$100 million impact.

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

Okay. And then I feel like we've hit each segment sort of in different answers to questions. But I think I heard you in response to 2 questions ago. Segment earnings in South America, flattish on the full year despite the mid-single-digit earnings growth. And then in bev, I guess, North Central America, we have a \$30 million bad guy from the energy contract, let's call it, 10 to 15 of a good guy for the unwinding of AR factoring depending on timing. And then flattish volume growth. You mentioned the PPI should be positive and I think there's a midyear reset on your prior, I don't know, \$180 million or so that was contracted. So maybe a little bit more prescriptive there and then low single-digit growth in Europe translating into some operating earnings improvement at the segment level in Europe.

Daniel William Fisher - Ball Corporation - Chairman & CEO

Let me start with South America. No, we should see an inflection in earnings year-over-year. Some of the factoring that we're retiring will help to contribute to that, and we will see earnings growth off of the volume growth. And so it will more or less mirror 2x the volume growth. It may come in a different form via AR factoring retirement and some interest expense being retired within our SG&A bucket. But if we grow 5%, we should grow close to 10% earnings in that range. We'll have mix that will offset it country to country, but we have mechanisms to continue to inflect profitably on that growth, which we're encouraged by.

And then your other question, let me help you with some bridge items in North America. I think there's one piece that you didn't cover, which is in the first quarter and Howard made this in his opening comments, the VPPA, you got \$30 million, there's a like amount associated with the brand disruption. So the unit volume we sold and the absorption we got from that brand that had the marketing issue in April is a like amount. So it's closer to \$60 million in the first quarter in North America. You will get the PPI benefits and the other things, I think the way you laid out, it was in a very constructive manner. And we're not anticipating anything inflecting midyear. Right now, if inflation continues to be in a moderated position, it won't be a plus or minus like we've been talking about here in the last 2.5 to 3 years. We can offset whatever inflationary pickup via productivity gains. So it won't be a bridge item, but you're right, we have to carry in for the first 6 months. You've identified it correctly in terms of the quarter capture on the numbers. But the only thing that I would call out is the additional \$30 million disruption probably from the brand disruption in Q1.

Operator

Our next question comes from the line of Jeff Zekauskas with JPMorgan.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

It's been reported in the press that Carrefour, the French retailer is pushing back against Pepsi because Pepsi wanted to increase prices I don't know, 7% for 2024. And so what Carrefour is doing is moving away from Pepsi products across the board. When you see something like that, do you think that the consumer products companies may be following different strategies in different geographies?

And do you see that as sign that there's still an emphasis on increasing prices by the consumer products companies for next year?

Daniel William Fisher - Ball Corporation - Chairman & CEO

Yes. Good question. So it's not just Carrefour. It's all throughout Europe. Europe is much more regulated on price increases. So by virtue of that, what you can do in North America and what you can do in Europe are vastly different but what is happening is the retailers are moving very aggressive against brands that are contemplating price increases in Europe.

And that disruption is a positive thing for us. In North America, it's also happening not as publicly. But I do think in North America, the brands have much more power in terms of their ability to price. And that's something that they're able to leverage. But they still have to have volume growth and volume declined in the fourth quarter for a lot of those major brands in Q3 in a manner in which everyone is going to have to take a different and a more historical approach to pricing. Volumes have to show up.

And I think that's what the reaction has been in Europe in a really pronounced way because there are inflationary pressures because the energy concerns have been much more present and I think that's something that is regulated and it's also something where end consumers have really fallen off in terms of volume purchases in the fourth quarter. So hopefully, that helps.

But yes, different behavioral patterns in North America and Europe. It's always been that way, but I do think the aggressive nature of the retail sentiment now in Europe probably lends itself to a better outlook for us in terms of volume.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So would that mean that your better outcome for volume in Europe is more of 2025 event rather than a 2024 event?

Daniel William Fisher - Ball Corporation - Chairman & CEO

No, this is something that we were seeing in the fourth quarter. It's newsworthy now, but this is not something that would alter, I think, our outlook quite yet. I think what's more important is like the regasification and the inflationary pressures that folks are experiencing in consumer across Europe. That will be more important than I think this retail issue of 5% price versus 7% and 3%, something along that nature. So we do believe that there'll be sequential volume improvement in Europe, and it will inflect to kind of a low to mid-single-digit number kind of in that 3-ish percent range for growth in Europe in our business, and that will be stronger towards the back end of the year. And then to your point, yes, '25 will be stronger, even more. And Christine, we'll take one more question.

Operator

Mr. Fisher, we actually have no further questions at this time.

Daniel William Fisher - Ball Corporation - Chairman & CEO

Okay. Thanks, everybody, and we'll hopefully see most of you at the Investor Day here in June. Thanks very much.

Operator

Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a wonderful day.

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