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Chairman & CEO

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Presentation

Operator

Greetings, and welcome to the Ball Corporation Second Quarter 2024 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Brandon Potthoff, Head of Investor Relations. Thank you, sir. You may begin.

Brandon Potthoff
Head of Investor Relations

Thank you, Christine.

Good morning, everyone. This is Ball Corporation's conference call regarding the company's second quarter 2024 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 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. References to net sales and comparable operating earnings in today's release and call do not include the company's former Aerospace business. Year-to-date net earnings attributable to the corporation and comparable net earnings do include the performance of the company's former Aerospace business through the sale date of February 16, 2024.

I would now like to turn the call over to Dan Fisher, CEO.

Dan Fisher
Chairman & CEO

Thank you, Brandon.

Today, I'm joined on our call by Howard Yu, EVP and CFO. I will provide some brief introductory remarks. Howard will discuss second quarter financial performance and key metrics for 2024 and then we will finish up with closing comments and Q&A.

We remain laser-focused on creating a better, more sustainable world. During the quarter, Ball was included in the FTSE4Good Index Series which is designed to measure the performance of companies demonstrating strong environmental, social and governance practices. This highlights our unwavering commitment towards a more circular future. Across our global organization, our employees continue to demonstrate our values in the areas of recycling, education in STEM manufacturing and disaster relief and preparedness as evidenced by our recent global volunteer month impact.

During the month of April, our employees contributed over 3,100 volunteer hours across 17 countries. Thank you to our 16,000 colleagues that continue to demonstrate that we care. Under the themes that we work and we win, our team delivered strong second quarter results. Global beverage can shipments and global extruded aluminum aerosol shipments, increased 2.8% and 5.6% in the quarter, respectively. In addition, we executed on our share repurchase plans and have returned approximately $925 million to shareholders via share repurchases and dividends as of today's call.

Reflecting further on year-to-date 2024 performance, aluminum packaging continues to outperform other substrates across the globe. In North America and EMEA, second quarter volumes exceeded our internal expectations. In South America, softer-than-anticipated volume performance was driven by our exposure to Argentina. For a complete summary of regional shipments for the second quarter, please refer to today's earnings release. Consistent with our previous commentary and given our customer mix and incorporating second quarter and year-to-date regional volume performance, we continue to anticipate full year global shipments to grow in the low to mid-single digits range. Key drivers for our company's performance in 2024 continue to be the benefits of deleveraging, repurchasing shares, improving operational efficiencies and leveraging our well-capitalized plant assets to grow the use of innovative, sustainable aluminum packaging across channels, categories and venues. Based on our current demand trends and the previously mentioned drivers, we are positioned to grow comparable diluted EPS mid-single digits plus off 2023 reported comparable diluted EPS of $2.90 per share, generate strong adjusted free cash flow, strengthen our balance sheet and now expect return of value in excess of $1.6 billion to shareholders via share repurchases and dividends in 2024.

With that, I'll turn it over to Howard.

Howard Yu
Executive VP & CFO

Thank you, Dan.

Turning to our results. Second quarter 2024 comparable diluted earnings per share was $0.74, and versus $0.61 in the second quarter of 2023. Second quarter sales were influenced by the pass-through of lower aluminum prices as well as lower volumes in South America, offset by increased volumes in North America and EMEA as well as favorable price/mix in South America. Second quarter comparable net earnings of $232 million were up year-over-year, primarily due to strong operational performance, including improved year-over-year performance in North America, EMEA and South America, lower corporate undistributed costs and lower interest expense.

In North America, segment comparable operating earnings exceeded our expectations and offset year-over-year headwinds associated with the U.S. beer brand disruption. Benefits of effective cost management and plant efficiencies across our well-capitalized plant network will continue to support incremental volume growth. We continue to anticipate year-over-year earnings improvement during the second half of 2024, driven by improving operational efficiencies, lowering cost and effectively managing risk.

In EMEA, overall segment volumes were up stronger than anticipated. Recent demand trends remain favorable, and the business continues to be poised for year-over-year comparable operating earnings growth throughout the remainder of 2024, driven by improving operational efficiencies and volume growth. In South America, our segment volumes decreased 3.2%, following a strong first quarter where volumes increased 26.3%. During the second quarter, consumer conditions in Argentina deteriorated further, though we appear to be beyond the most difficult comparisons given the timing of Argentina's 2023 slowdown. Despite these challenges, strong demand in Brazil of mid-single-digit volume growth and our customer mix continue to drive our business. We continue to monitor the dynamic economic situation in Argentina and potential scenarios that could impact results. We remain optimistic about Brazil and our ability to deliver sequential earnings and volume improvement as we enter the summer selling season in South America.

Moving on to additional key financial metrics and goals for 2024 … very consistent figures to those provided during our first quarter earnings call and June Investor Day commentary. We continue to anticipate year-end 2024 net debt to comparable EBITDA to be below 2.5x, while we are currently at 2.3x at the end of the second quarter Net debt to comparable EBITDA may nudge slightly higher by the end of the year as the company continues payments of taxes due on the gain from the sale of the aerospace. 2024 CapEx is targeted to be in the range of $650 million, a year-over-year reduction of $400 million and largely driven by carrying capital related to prior year's projects. We are on track to achieve our adjusted free cash flow target and share repurchases are expected to be in excess of $1.4 billion by year-end. Through today's call, we have repurchased approximately $800 million in shares year-to-date. Our 2024 full year effective tax rate on comparable earnings is expected to be approximately 21%, largely driven by lower year-over-year R&D tax credit associated with the sale of the company's aerospace business. Relative to the estimated tax payments due on the aerospace sale, the first payment was made during the second quarter and the remainder of the approximately $1 billion in taxes due will be paid throughout the second half of 2024.

Full year 2024 interest expense is expected to be in the range of $300 million. Excluding the noncomparable aerospace disposition compensation costs, full year 2024 reported adjusted corporate undistributed costs recorded in other non-reportable are expected to be in the range of $90 million. And last week, Ball's Board declared a quarterly cash dividend.

Looking ahead to the rest of 2024, we remain laser-focused on operational excellence, driving efficiency and productivity across our business, cost management and monitoring emerging market volatility. We are committed to maximizing the full potential of our company over the long term. We have executed on derisking the corporation through recent debt retirements, and we have no significant near-term maturities. The runway is clear for us to activate near-term initiatives to consistently deliver high-quality results and generate compounding shareholder returns.

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

Dan Fisher
Chairman & CEO

Thanks, Howard. The business is operating well. And as we look forward to the second half of the year, we continue to anticipate growing our 2024 comparable diluted EPS mid-single digits plus. While the consumer backdrop remains volatile, due to the strength of our portfolio and the unwavering dedication of our employees, we are confident we will deliver on our 2024 guidance and long-term commitments laid out at our June Investor Day.

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 through 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.

As we communicated at our June Investor Day, shareholder value creation is our focus. Going forward, we anticipate 10% plus per annum diluted EPS growth. Consistent delivery of high-quality results and operational performance coupled with significant share repurchases for the foreseeable future in addition to returning value to shareholders via dividends, will drive shareholder value creation. We appreciate the work being done across the organization and extend our well wishes to our employees, customers, suppliers, stakeholders and everyone listening today. Thank you.
And with that, Christine, we are ready for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Ghansham Panjabi with Baird.

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

I guess first off on 6.5% growth in the EMEA segment for 2Q. I think you mentioned it came in above your internal expectations. If you could just give us a bit more color on that. what drove that specifically? And then also how do you see that evolving into the back half of the year?

Dan Fisher
Chairman & CEO

Yes. I think a little bit of it as we were transitioning out of Q1 into Q2 we were starting to see some relief, some inflation relief. So the end consumer was strengthening in pockets and couple that with a little bit more aggressive pricing by some of the customers that I would consider that we're in a more of a partnership relationship than just a customer-supplier relationship. And so we benefited a bit from mix. I think this is something going on here consistently now, and Ghansham, you will hear consistently now and I have been saying it all year, it's like winners and losers or if you're a little ahead of the market, a little below, it probably has more to do with mix region by region right now than it does with winning or losing contracts in many respects. And we have the opposite mix in Europe that we do in the U.S., where we have a heavier CSD heavier energy portfolio over there then when you contrast that to our North America, which is heavier on the beer side. And so we benefited from it in Europe. We anticipated some good pull-through on the euro [football] competition. It's interesting. We were actually ahead in Europe, and there was some pretty crummy weather in the Nordics, in the U.K. and Ireland and places like that, and it's ahead of the holiday season, which can really give you a bit more of a tailwind. So it was a surprise on multiple fronts, incremental surprise, not a significant surprise. We continue to -- and you've heard us say this, we continue to be very bullish on Europe over the medium and long term just because I think the can has a lot of runway there. But some nice signs that folks are fighting for some volume there probably -- maybe even more so than they're doing in places like North America, and we benefited from mix there and expect to continue to do well there for the balance of the year and in the foreseeable future.

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

Okay. Got it. And then for beverage, North America, Central America, how did that sort of break out between U.S., Canada versus, let's say, Mexico and some of the other regions down there? And then just holistically, Dan, as you think about your portfolio and the new products that the industry has introduced to higher price point items, et cetera, in context of consumer affordability. So as you kind of think about the weakness you're still seeing in portions of the North American business. How is that propagating? Is it still at the low end? Or is it starting to permeate towards the middle consumer and the high end as well?

Dan Fisher
Chairman & CEO

No, a great question. It is -- I mean in the U.S., I think the U.S. is different than the rest of the world. It's a pretty stark contrast. You even see it in one of the major brewers. They're growing at the high-end brand, and they're growing at the low-end brand. It's kind of the premium light beer segment that's the one that folks are trading down from. But we've seen this now Ghansham, for like 18 months. It's like we've been living this, and that's kind of -- candidly, that's why we've been adjusting our cost structure, we've been doing different things with the operating model. You see things like slower growth in -- you see things like slower growth at the energy drink level. This is signs that you see this in the past. This is when you're kind of touching the bottom end of kind of these recessionary points and the health of the end consumer. So we're operating in that environment. We're still growing. We're making more money. So that all feels good. If you get a little -- if you get an interest rate cut, you're potentially in September and a little bit more clarity on the election all of those things tend to translate into a bit more optimism probably from us and our competitors. Based on where we are because -- to your point, I don't see a lot more downside on the end consumer. We've been living it though, for about 18 months. So we've seen the trade downs and then we've seen the less frequent purchases. And I think what you're also hearing as a result of that is from our customers and from certain categories in certain segments, they're going to have to address that via different pricing mechanisms to drive volume. So I think we're kind of -- we're in a good spot relative to that, believe it or not, versus how we've been operating in the last 18 months as an industry. So I'm a bit more encouraged than pessimistic.

Operator

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

George Staphos
BofA Securities, Research Division

Thanks so much. Can you hear me okay?

Dan Fisher
Chairman & CEO

Yes.

George Staphos
BofA Securities, Research Division

I just want to pick up my first question, piggy backing on topic Ghansham raised. So at this juncture, are your customers talking about doing more incremental net promotion price reduction, et cetera, a real in a variable end market? Or do they see kind of the next way to grow out of this really on innovation and kind of the context, if we go back not quite 10 years ago, but sort of post Rexam, especially in alcohol, there was a lack of volume growth and it was innovation that drove growth, at least in part. At this juncture, innovation comes at a higher price, is this the wrong time to drive innovation. So really the only way to deal with this to drop price and raise promotion? How are your customers thinking about that? And what are you doing to help them in that evaluation?

Dan Fisher
Chairman & CEO

Yes. Great question, George. So this breaks down in the U.S., this is a U.S. phenomenon, probably more than any other region that I see. At the high end, that's where the innovation is going okay. So if you look at beer, in particular, the high end of the brands folks are -- they're spending more on advertising and they're innovating more there because people are willing to pay for it. At the low end, it is a value play. And so if you look at the largest brewer in North America, you'll see they have 2 brands that are growing disproportional to the rest. One is squarely on the higher end of the end consumer, and one is squarely on the low end of the end consumer. Now the big middle portion, that is sort of the premium light beer, that is the one that will have to be priced differently. So innovation will continue to get pushed. It will get pushed into new categories, and it will get pushed in the higher-end brand categories that already exist. And then you've got to be competitive on the low end of those ranges, maybe even more so than historically. And in the middle, that's where folks that are doing well in the marketplace, whether it's on the CSD side or on the alcohol side, they are playing the CPI game really well. They are playing the branding game very well. They're playing the discount and the revenue models really well and brand superiority starts to show up. The real integrity of the brand and the value of the brand shows up now, as you well know, after covering us for many years. So I think that's how we're looking at, and we're helping them in every -- listen, we can help you with innovation, and we can use our fleet of assets to help you really layer in lower costs in terms of the supply chain and the agility to deliver. So there are ways that we can use the economies of scale that we have to work both sides of that equation. And then what's left for the customer to figure out is how they play some of these major brands and what the brand value is and how they're going to price that to drive volume. And I think that's what will be coming around more so than anything here in the next 6 months. So I'm thinking in and around that, that will be more growth oriented. And then with the backdrop of the end consumer is it enough to drive the volume. My belief is, it will at least maintain the stable position that we've been operating under, and it could be a slight uptick. Sorry, yes -- hope that was helpful. It is different than Rexam. It is different than post Rexam. I will tell you that. You're on to that. Yes, it's definitely different conversations, but you've got to fight with innovation even on the high-end brands, and you've got to be incredibly focused and diligent on supply chain efficiencies on the low end. So that is -- with just more intentionality on both ends of it.

George Staphos
BofA Securities, Research Division

So what does that mean for your mix as you layer those 2 or 3 or pull those 2 or 3 levers are your customers do into the back half of the year, what are you seeing in terms of volume trends to start 3Q? And how do you feel about the plant network overall as it exists relative to those trends as you see them. Thanks and good luck in the quarter.

Dan Fisher
Chairman & CEO

Thanks very much. Yes, I think there's an aspect here where mix will matter in the short term. So there won't be you'll be thinking about there's a minor October reset, but it will be more in the February -- January, February retail reset, where you see some more innovation and some more introductions in and around that and around the Super Bowl, that's typically what happens in North America. Our fleet cost average is lowering a lot of the decisions we made in terms of the fixed cost of our plants. We're seeing the benefits in our new operating model, we're laser focused on efficiency and operational excellence. We're seeing those benefits. We're running freight cost is better, our warehousing footprint smaller. So there's a lot of supply chain efficiencies that we're benefiting from. You'll see more of it as volumes grow. So I feel like we're having the right conversations with our customers. They're seeing that our Net Promoter Score continues to rise. And so I know that the conversations we're having and the efforts that we're making are resonating with the customers. We're seeing some benefits of that. But in the immediate short term, your customer base matters now more than any time, and we've benefited from who our customers are here this year in particular in North America.

Operator

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

Jeffrey Zekauskas
JPMorgan Chase & Co, Research Division

Over the past few years, Ball has increased its capacity in North America? And then what it did is, it reduced it to become more efficient. If you compare your North American capacity today to what it was in 2019. Has it changed very much?

Dan Fisher
Chairman & CEO

Yes, it's -- we have more capacity. We're selling more. We have more capacity, and there's additional envelope and room for us to grow capacity further.

Jeffrey Zekauskas
JPMorgan Chase & Co, Research Division

And in terms of the volume that you experienced in the Americas in the second quarter was the beer market down and the consumer soft drink market for you up?

Dan Fisher
Chairman & CEO

That's correct. Our customer portfolio on the CSD side was a benefit to us.

Operator

Our next question comes from the line of Josh Spector with UBS.

Joshua Spector
UBS Investment Bank, Research Division

Good morning. I was wondering if you could square kind of your short-term view here around growth versus your long-term view. And just given kind of some of the outperformance here in 2Q, do you think you could start to see, call it, high single digit to 10% plus growth in EPS in the second half, considering you're starting to face some easier comps, or do you need a more favorable backdrop to really drive more of that?

Dan Fisher
Chairman & CEO

Yes. Great question. Just one thing, I would say, we did have a fairly significant -- I'll let Howard describe Q3. I would say Q4 and moving forward, your comment is correct. Q3, there's an anomaly, I'll let him describe it for you.

Howard Yu
Executive VP & CFO

Yes, that's right. That's right, Josh. We did have -- on the R&D tax credit side, we had a pretty meaningful impact in Q3 of last year. This was associated with the aerospace business. And so those to the tune of nearly $40 million. And so obviously, that will make for the comps in Q3 to be a bit more challenging. But as Dan said, I think going into the fourth quarter and certainly beyond, we've said that we'd achieve 10-plus percent EPS in 2025 in each year after that.

Dan Fisher
Chairman & CEO

And in Q3, just to reiterate, if you take out the onetime benefit, then yes, we're operating at 10-plus percent EPS moving forward.

Howard Yu
Executive VP & CFO

And I think just even despite the tax credit (in Q3 2023), I think that we will be up as it relates to third quarter EPS. And so that $40 million or nearly $40 million is a pretty meaningful impact. But despite that will still be up year-over-year.

Joshua Spector
UBS Investment Bank, Research Division

That's really helpful. I just wanted to follow up on specifically inventory in beer in North America. I don't know if you have any visibility around your customer levels of where things are at in terms of days or cases? And if there is more promotional activity, is that a big pull forward for you, or do you think inventories probably stay leaner for longer?

Dan Fisher
Chairman & CEO

I think our inventories are going to be a bit stronger moving forward, will lift a little. They're a bit too low. As you recall, and this ever back to Q1, we helped one of our beer partners significantly in Q1. So we kind of overshipped in one, and now we're operating at lower inventory levels. So it's a rebalancing because of that for us, that will settle out by the end of the year. And then I'm encouraged about kind of the trajectory of flight on a couple of the beer brands in particular. So yes, I'd say it's yet to be determined. But for us, in particular, no, we will still have some uplift in the second half of the year because we were operating so low (on inventories) in the first half because of some unique anomalies with (customers') union negotiations and things like this.

Operator

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

Arun Viswanathan
RBC Capital Markets, Research Division

Good to see the results. So I guess just a couple of questions on South America. So obviously, some challenging conditions in Argentina, some volatility down there. Do you still expect a very robust second half in your South America business, especially Q4? And what gives you that visibility? I mean, I guess, again, there is a lot of volatility on there, but is -- are there any specific drivers that you'd point to?

Dan Fisher
Chairman & CEO

We've got really good line of ... First of all, thank you. I hope you're doing well. The only thing we've got out here in Denver is 2 or 3 forest fires happening. So if you hear us coughing that's all coming from. Yes. So the second quarter, let me -- let just us set the stage for the second quarter and what happened in Brazil in particular. So in 2023 in the second quarter, the third largest brewery filed for bankruptcy, and they didn't participate much in the market. They had a good showing this second quarter. And so when you're looking at comps year-over-year, we were stronger last year than we were this year because that entrant didn't participate. But year-to-date, we're up 10-plus percent because our partners are winning disproportionately overall in the market, and they have been for a year plus. And so much of our business is tied to a couple of folks who we have a lot of conversations with, and we're encouraged about a couple of underlying themes, right. We've talked about the can continuing to gain back share. About 2 years ago, we saw returnable glass, gain share 6 to 7 points, I believe, of substrate share, which always happens in an inflationary environment. There's a quick repositioning of that. That's now coming back slowly, but surely. So we picked up a couple points of can share in the Brazil market, which is meaningful once you get to peak season, which, of course, second quarter is the least (seasonally). And then Chile had a rough winter period, one of the coldest on record. So that will rebound. Our Paraguay business is doing very well. Peru is doing well. And then it just boils down to Argentina. So I think we have line of sight into the overwhelmingly majority of our business, and we're encouraged about the back half trajectory. And in Argentina, the volumes are still going to show a degradation over the back half of the year from a comp perspective because volumes really didn't start to slow down until this quarter and a little bit of the first quarter. But what happened this time a year ago in Argentina is there was a lot of regulatory, monetary and fiscal policy that was eating into our margins, like taxes and holding on to receivables for a longer period of time. So the margin comparability will be pretty flat year-over-year in Argentina until you see some improved conditions there, but the volumes will still show a little bit of a decline. In rough order of magnitude, the decline for Argentina is roughly a 1% volume decline for Ball year-over-year. So it's meaningful on the volume line. It's not as meaningful on the earnings line moving forward. And then as the end consumer starts to gain a bit of strength down there, which we're starting to see early signs of it, that will start to come back and we'll lever up nicely. So feeling good about the second half in South America, a lots going on in that region, as you said, but the fundamentals of the macro environment in our biggest country that we participate in, continues to be buoyed by really good fiscal discipline, inflation continuing to monitor to the lower end of even what the central banks are proposing. So we're feeling good about that, and we feel like we're coming off of some less favorable environments in Chile and Argentina. So let's see how we get on, but the next 6 to 12 months should be improved in both of those areas.

Arun Viswanathan
RBC Capital Markets, Research Division

Thanks for that, Dan. Appreciate all the details. And then maybe if I could just ask a follow-up. So I appreciate the long-term comment on greater than 10% or 10% or better EPS growth. In our models, it seems like we're modeling kind of mid-single digit or better EBIT growth in '25 and the rest is coming from lower interest expense and share buyback. Assuming that's correct, are you saying that you're able to maintain that level of growth in '25 and beyond and beyond. So are you kind of implying that you will continue to buy back stock and pull on some other levers other than just volume in order to see that level of EPS growth. Maybe you can just elaborate on what gives you the confidence that you'll continue to maintain that greater than 10% EPS growth rate?

Dan Fisher
Chairman & CEO

Yes. I'll just make one high-level comment, and then I'll have Howard chime in. And so if you go back to our Investor Day, and I probably didn't do a great job of pointing this out, but what we laid out, and we have a high degree of confidence in is probably somewhere closer to the 13% to 15% range as opposed to the 10% plus, and it's coming from exactly what you described a steady diet of us staying within our $650 million capital envelope and expanding operating cash flow by managing our earnings and managing our working capital with a real intention and focus. And so we don't need a whole lot of growth to do that. It's a much more repeatable model. And I think we're encouraged by the trajectory of growth with the rebound in the end consumer here, hopefully happening in the next 12 months. There's probably more upside than not, Howard, what did I miss?

Howard Yu
Executive VP & CFO

Yes, I think that's right. Arun, we are committed to buying back shares. I mean we're increasing how much we're buying back even this year. We've talked about it in the context of over $1.4 billion that we'll get through and essentially since mid-February since the sale of Aerospace. And so obviously, that will have a meaningful impact on the share count going into next year, and we'll continue to do that as well. The other thing I think to point out, and we talked about during the Investor Day is the cost savings, gross cost savings that we're going to be undertaking. We've seen great traction. You're seeing some of that readout even in the numbers this quarter. You saw some of that in the first quarter as well. And you'll continue to see that well into 2024 and into 2025. And so there's no reason to expect that we're going to deliver anything less than 10-plus percent and probably ahead of that for the next couple of years, for sure, on the EPS side.

Operator

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

Michael Roxland
Truist Securities, Inc., Research Division

Dan, Howard and Brandan, congrats on the good quarter. On this call and in some prior calls and also on the recent Investor Day, you mentioned improving plant efficiency, centralizing best practices, standardizing them, documenting processes, ensuring that all your facilities are sort of benchmarked with one another. How far along are you in that process right now. And if we think 2 to 3 years from now, what do you think this standardization focus on cost takeout efficiency? What do you think you can add to the business in terms of dollars and profit?

Dan Fisher
Chairman & CEO

Yes, I'd say we're early, early innings. And I think what this will allow us to do is consistently deliver against our 2x growth percentage algorithm by gaining more productivity and efficiency in the plants and translating that into less capital required on the assets to grow into that, which historically has been a pretty big preventer of us from not achieving the 2 and 1. So translating that into dollars, I can tell you that's -- in theory, that's the strength for what we're doing. We're seeing it thus far. And that should be fairly meaningful. I mean 2 and 1 off of 2% to 3% growth over the next 3 years versus a 1.5 to 1, that's roughly the order of magnitude that we're trying to fill the gap in, if that helps, Mike.

Michael Roxland
Truist Securities, Inc., Research Division

Yes. No, it really does, thank you. And then just one quick question in terms...

Dan Fisher
Chairman & CEO

It's meaningful. I don't have a $1 per thousand number or cent per can number, but it is meaningful in terms of our ability to deliver organically the higher end of that 2 to 1 range.

Howard Yu
Executive VP & CFO

Yes. And I think we've laid out that of the $500 million of gross savings, I mean, we're going to have a meaningful part of that will be front-end loaded here in 2024 and 2025. But certainly, going into '26, '27 and beyond, as we aspire to be a best-in-class manufacturer we will continue to see efficiencies there. I mean, as Dan said, we're early innings, but we're putting up runs. And so that's a good thing to see as it relates to the corporation and what we're doing operationally.

Dan Fisher
Chairman & CEO

Sorry, we cut you off.

Michael Roxland
Truist Securities, Inc., Research Division

No, no, no. That's -- it's very helpful. So if you're still in early innings, that means that you got this particular -- I mean what's your time frame in terms of having everything standardized. Is it 2 years, 3 years, when do you think everything should be on par with one another?

Dan Fisher
Chairman & CEO

Yes, we'll -- I would give us somewhere in that 2- to 3-year range is what Ron Lewis and myself were talking about. And it won't be 100% standardized, but 80% and the reason I say that, you know this business is we got 40-year-old plants and we've got brand new plants so we're not going to recapitalize to standardize everything. But the performance, the meeting cadence, the SOPs, all of that should look and feel like you're walking into a ball plant everywhere in the world.

Michael Roxland
Truist Securities, Inc., Research Division

Got it. That makes a lot of sense. And then just 1 quick question. Obviously, you've now lapped the problem child product at this point. But it seems like Bud Light is now #3 after Modelo Especial and Michelob Ultra. So that really seems to be a more function for a least, as I can tell, a function of shelf space reset. So 2-part question. One, to the extent you can comment, has any of that decline been offset by gains in Michelob Ultra. And two, do you think that Bud Light will ultimately regain some shelf space in the fall or the early winter you noted when it occurs?

Dan Fisher
Chairman & CEO

Great question. So 2 brands are growing within their portfolio. You mentioned one, the other one is really Busch Light. And so both of those are growing nicely. And so yes, they are filling some of the brands -- excuse me, the portfolio hole. I'm encouraged by promotional activity in both those brands. And I think anything that Bud Light comes back and recovers is great. but they've got 2 real winners within that portfolio that they're leaning heavily into and I think that's more probably the route that that wins, and it also speaks to sort of brands on the different ends of the end consumer spectrum as well.

Michael Roxland
Truist Securities, Inc., Research Division

Got it and good luck in the second half.

Operator

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

Michael Leithead
Barclays Bank PLC, Research Division

Thanks and good morning, guys. First, just on aerosol. The business saw a nice, I think, 6% volume growth. I guess my understanding was this overall market is still a bit soft. So is there some competitive share gains? Is it some mix with your extruded bottles? Just if you could help unpack that a bit, that would be helpful.

Dan Fisher
Chairman & CEO

Yeah, no, the market is growing probably half that rate globally, a little bit more than that. The advantage that we've got is, strategically is our plants are able to produce bottles that have higher recycled content, and we also make the alloys with the highest recycled content in the industry. And so the environmental and the sustainability message to somebody like a Unilever or a Beiersdorf, they have a big packaging carbon issue. So if they could move into aluminum out of other substrates, and we have the highest recycled content, we are winning disproportionately because of that. Not on price. In fact, it probably costs a bit more. But the lightweighting of the bottle on the less alloys, steel versus aluminum continues to be a positive trend. So there's a lot going into it. And we're very well positioned in the strategic partners and innovative partners and sustainability leads in that area. And we're bullish about that business moving forward because of the moat that we've created there.

Michael Leithead
Barclays Bank PLC, Research Division

Great. That's super helpful. And then I wanted to circle back to the U.S. Dan, you've given a lot of really helpful color around the different product category dynamics. But I want to circle back. I'm not sure if I heard in the answer to Ghansham's question earlier. But in 2Q, how did your U.S. business for Ball perform relative to, say, the overall segment up one.

Dan Fisher
Chairman & CEO

Yes. I think it's in line. It's actually the U.S. was driving it more so than anything. Keep in mind, our Mexican business, it's -- 80% of it is products that go north. And it's one major brewer, and they did well. that category didn't do great, but they did well, but everything was more or less in line, favorable CSD, flat energy, a decline in domestic beer and uplift in the imported beer, we participated in all those and net-net-net, some of our customers within certain categories did a little better, so we did a little better. That's probably how I would shake it out.

Operator

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

Bryan Burgmeier
Citi Research

This is actually Bryan Burgmeier on for Anthony. Thank you for taking my question. Maybe just a question on 24 EPS guidance, and I apologize if I missed this. Just thinking about kind of the magnitude of strong 2Q results, some modest tailwinds from lower interest expense more share repurchases. It seems like there's maybe a tiny bit of upside to the full year guide versus your previous outlook. Is it South America and Argentina that makes you feel like reiterating is most prudent right now, so I know you reiterated volume growth expectations. So I'm just trying to kind of rectify the 2 different points.

Dan Fisher
Chairman & CEO

Honestly, we're looking at the same thing you are. More constructive on the plus side of our guide. And when I hear the entire competitive landscape and our entire customer landscape, all saying similar things that were going to be delivered despite a little bit more volatile second half given the election, et cetera. I've been encouraged every month this year by the performance of the business our commitment to doing the things that we can control, and those are going to continue. And then we have benefited a bit from mix in North America. Does that continue? I suspect it will. So yes, we're leaning to the plus side of that algorithm for sure.

Bryan Burgmeier
Citi Research

Got it. Got it and thanks for that detail. And last question for me, and then I can turn it over. Just can you comment maybe on European can shipments versus underlying consumption growth in the region? Do you think that the industry maybe did a little bit of restocking this year or are brewers maybe ordering ahead for the summer. Just any color on maybe shipments versus consumption in Europe. Good luck in the quarter.

Dan Fisher
Chairman & CEO

Yes, the destocking and restocking event that happened sort of December and in January and February. So Q1 had a little bit of that favorability in it. But what we've seen is this is actual consumption that's happening, a more aggressive pricing environment in some instances. I think if you talk to anybody in our industry, everybody is tight. We're getting very close to can allocation scenarios. So this is 100% consumption at this point, benefit from the euro (football championship), benefit maybe from the Olympics, but more of a benefit from just inflation dissipating and a different return of value equation by our customers needing to price differently. So all of that's been a healthy dynamic in Europe and fingers crossed that continues here for the foreseeable future. We do have some can share that's also helping in pockets of the EU specifically the U.K. They continue to move more into cans. So there's some different dynamics that are unique to each country and each category in each geography. But overall, yes, I'm really pleased with our performance in Europe and constructive on Europe writ large right now.

Operator

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

Philip Ng
Jefferies LLC, Research Division

Pretty encouraging to see Brazil still up mid-single digits. Argentina has been problematic, a little noise in general with all the movement. How would you like us to think about the back half? And certainly, you had outsized earnings last year from some mix dynamics in Brazil in the fourth quarter. So just kind of give us a little more color on do you have enough levers for your volumes to be up in South America given the weakness in Argentina and then your ability to kind of drive earnings in the back half in South America as well.

Dan Fisher
Chairman & CEO

Yes, we'll be -- there's an opportunity. I think Q3 will have still some volume decrement because of Argentina. Q4 we will return to growth. But the earnings were already being impacted, Phil, in Argentina in Q3 (2023) because of some of the taxes that were being levied on, especially metal coming in from Brazil into Argentina dollars going out. There was a lot of currency controls put in place. So our margins -- our volumes held in, but our margins took a fairly significant hit and then further hit in Q4 (2023). So from a margin standpoint, you should see growth in the second half of the year and volumes will be flattish to slightly up with a negative tailwind still fairly significant in Q3 from Argentina, I think in the neighborhood of 500 million cans.

Philip Ng
Jefferies LLC, Research Division

Okay. So on balance on earnings is kind of muted is how I should think about it for Argentina margins might be better at budget.

Dan Fisher
Chairman & CEO

You're right. You're right. From this point forward, it's muted. And here's what's going on in Argentina too. So for the last 2 months, they've got inflation down in the 4% range, and that was their target. What has also happened is there's been price fixing, there's a weakened consumer. This is the weakest the end consumer has been, but they've accomplished all of their monetary and financial goals of lessening inflation. And so we're starting to see some easing in that country, and then it's going to be employment-based and sort of a return to a more stable end consumer there. But it's I'm not an economist, but I'd say that they've kind of driven this thing where they wanted to and now, I'm encouraged that we move up from here. It won't happen overnight, but at least they've gotten us to a place that they were attempting to do in October and November of last year.

Philip Ng
Jefferies LLC, Research Division

Okay. That's helpful. I mean, I think certainly, there are some concerns coming into the quarter that mass beer in the U.S. would be a drag, and you obviously put up really strong results in that segment in North America. If I heard you correctly, Dan, you sound a little more upbeat on the plus side of your mid-single-digit type growth. Does a lot of that come from North America? Or is it more Europe, some of the other segments just because you're lapping that tough ABI comp, right? And you still put up 1% volume growth in 2Q. It sounds like your customers are promoting a little bit. Is that enthusiasm more on North America? And then are you expecting volumes perhaps to pick up a little bit in the back half?

Dan Fisher
Chairman & CEO

No, it's a great question. I think every one of our business units, every one of our regions will make more money year-over-year in the third quarter. So there may be a little bit more weighting to your point. Actually, I think it's going to be more representative of a Q4 lift on a Q3 lift, just we've got such low inventory levels and really tight there in North America that you'll see some pickup on absorption more likely in Q4. But yes, leaning to the plus, and it's -- as you know, you -- this is -- a big portion of this is about mix and who wins in the third quarter. And I'm encouraged that premium light beer, domestic light beer, they're going to have to do something on pricing there. It's been a pretty similar tape, right, in the last several quarters. And so I think different behavioral patterns will have to kick in at some point.

Operator

Our next question comes from the line of Chris Parkinson with Wolfe Research.

Christopher Parkinson
Wolfe Research, LLC

Great. You hit on this a little bit, but I'd like to dive in a little bit more on the Brazilian market. Can you just talk about -- the last couple of years have been obviously pretty choppy, especially coming out of COVID. And there have been some substrate market shifts, obviously changing and evolving consumer behaviors. Can you just kind of give us an update on where you think we are not only for the back half, but where you think will ultimately be for '25, '26 as well as your competitive positioning?

Dan Fisher
Chairman & CEO

Yes. So for -- I would say -- you're almost at a point where you can take COVID out of the equation. I think what happened in '23 -- so just '23 to '24 1st half of the year, let me walk you through a comparative, right, for Brazil. In Brazil, the third largest brewery had a blowout 2023 1st quarter, which we don't participate with. They filed for bankruptcy in Q2 of 2023. So they did virtually nothing in that quarter. So when you're looking at comps, depending on who's with who and the mix trajectory in that category portfolio, that there was volatility in one, we were up 26% in 1Q 2024. So we benefited from that comp 1Q. We didn't benefit from it as much in 2Q. But Q3, Q4 and Q1 of '23 and '24, the behemoth that we're with did well in the market. We continue to think that they will do well in the market based on innovation, based on share, based on their long-term positioning. We're the #2 player in the entire South America. They have been doing well as well. So I'm encouraged by the second half, and I'm encouraged the economy in Brazil and the GDP is what really matters most at this point to answer your follow-on question for '25 and '26. I think they have things going in the right direction, moderate-to-low inflation, employment continuing to improve, no sudden movements in terms of fiscal or monetary policy, all of that has a positive tailwind. And then the only thing that really comes out of COVID would be the substrate shift from glass into cans, and we're early innings on that. So we picked up probably 2 points of the 7 points that were lost, and we expect to continue to pick up more of that in the back half of '25 and into '26. And then for us, our exposure to Argentina will be meaningful if there's abrupt recovery in Argentina in '25 and '26, that will -- obviously, we'll get 100% of that. So I'm constructive on the outlook. I think it will be at the higher end of our longer-term growth algorithm based on the underlying conditions. And then Brazil, I think, starts to normalize a bit more. It will be about mix, but it will be less so about mix than what you saw in Q1 and Q2.

Christopher Parkinson
Wolfe Research, LLC

Got it. And just a real quick one, not once but twice. I tried to get a beer after a round of golf in New York, and I was handing to a Ball aluminum cup and it's something people haven't really been discussing for quite some time. but they're starting to pop up a lot. So I was just kind of curious what's the latest and greatest there in terms of your thought of trajectory? I mean it seems like it was kind of a thing and then it wasn't. But now it's clear that you're making some additional strides. I'm just kind of curious on that front.

Dan Fisher
Chairman & CEO

Well, thanks for that. You do find it at places like that. I think ultimately, the backdrop, if you've got a weak end consumer, and it's going to impact the volume on a product like that. And so we continue to gain traction, but it's not near what we thought it would be 2 or 3 years ago. And so that's probably all I'll say about that for now.

And we'll do one more question, Christine.

Operator

Our final question comes from the line of Stefan Diaz with Morgan Stanley.

Stefan Diaz
Morgan Stanley, Research Division

Hello everyone thanks for taking my question, I hope everybody is doing well. In the release for Europe, you mentioned seasonal and sustainability trends should improve demand throughout the year. Does this mean you're expecting mid-single-digit volume growth for the second half as comps look favorable? And then maybe sort of following up on Bryan's question, considering can shipments seems like they were ahead of scanner for the latest quarter. Are you worried about any potential destocking like we saw late in 2023?

Dan Fisher
Chairman & CEO

I don't anticipate destocking for us. It's -- all of this stuff is like competitor and customer-centric, right, on the destocking and stocking issues, nowhere near what you would have seen in '22 or '23. So I'm less concerned. Obviously, if volume were to fall off significantly, which we don't foresee or we're not anticipating, I might have to revisit that comment. But at this point, we've got incredibly low inventory levels. We're hand to mouth in Europe. We're in the throes of increasing our stocking in South America and then in North America, where we've got, yes, like I said, historically low inventory levels that we'll need to manage that up over the second half of the year. So I'm encouraged and not concerned about that topic in particular. I get the question. But for us, it's not as meaningful.

Stefan Diaz
Morgan Stanley, Research Division

Great. And then given strong volume results in the past couple of quarters, I was just wondering if you could remind us if you still have any capacity curtailed within your network. And if so, maybe what do you need to see to bring that back online? And then maybe if you could also just quickly comment on what you think utilizations are by region.

Dan Fisher
Chairman & CEO

Okay. Great. You always have curtailments in South America this time of the year. We have very few, if any, curtailments in North America or Europe, absolutely none in Europe right now. And the only thing that we would be curtailing would be 1 can size fits in North America at times. So all of that's good. The industry is in a really healthy position, probably high 80s in -- if I look at the annual projection, high 80s in Brazil, low to mid-90s in Europe and then low 90s in the U.S., which means you got excess capacity in shoulder seasons and you don't have any in peak season. And so it's in a good spot.

Operator

I would now like to turn the floor back over to management for closing comments.

Dan Fisher
Chairman & CEO

Thanks. Again, really appreciate our 16,000 employees. We had a flood, and we've got some fires going on and hope everybody remains safe and takes care of one another and look forward to talking with you all here at the end of the third quarter. So thank you.

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.

concerns affecting products filled in Ball's containers, or chemicals or substances used in raw materials or in the manufacturing process; technological developments and innovations; the ability to manage cyber threats; litigation; strikes; disease; pandemic; labor cost changes; inflation; rates of return on assets of Ball's defined benefit retirement plans; pension changes; uncertainties surrounding geopolitical events and governmental policies, including policies, orders, and actions related to COVID-19; reduced cash flow; interest rates affecting Ball's debt; successful or unsuccessful joint ventures, acquisitions and divestitures, and their effects on Ball's operating results and business generally.