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EDITED TRANSCRIPT

BLL.N - Q3 2021 Ball Corp Earnings Call

EVENT DATE/TIME: NOVEMBER 04, 2021 / 3:00PM GMT

OVERVIEW:

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PRESENTATION

Operator

Greetings, and welcome to the Ball Corporation Third Quarter 2021 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded, Thursday, November 4, 2021. I would now like to turn the conference over to John Hayes. Please go ahead.

John A. Hayes - Ball Corporation - Chairman & CEO

Great. Thank you, Dina. Good morning, everyone. This is Ball Corporation's conference call regarding the company's third quarter 2021 results. The information provided during this call will contain forward-looking statements. Actual results or outcomes may differ materially from those that may be expressed or implied. Some factors that could cause the results or outcomes to differ are in the company's latest 10-K and in other company SEC filings as well as company news releases. If you don't already have our earnings release, it's available on our website at ball.com.

Information regarding the use of non-GAAP financial measures may also be found in the notes section of today's earnings release. The release also includes a table summarizing business consolidation and other activities as well as a reconciliation of comparable operating earnings and diluted earnings per share calculations.

Now joining me on the call today are Dan Fisher, our President; and Scott Morrison, our Executive Vice President and Chief Financial Officer. I'll provide some introductory remarks. Dan will discuss packaging and aerospace performance and trends, Scott will discuss key financial metrics, and then I'll finish up with comments on our outlook for the company.

Ball Corporation finished the quarter on a strong position despite challenging year-over-year comparable results from the economic recovery this time last year, continued supply chain disruptions and inflationary pressures that are being experienced in the rest of the manufacturing world.

For the quarter, we generated comparable operating earnings of \$417 million, which is flat against prior year and up 13% from 2019, while generating comparable diluted earnings per share of \$0.94, up 6% versus the prior year and 34% over 2019. Underlying demand for our products remains strong. Shipped volumes in the quarter were up 1% North and Central America, where we dealt with freight and supply disruptions while simultaneously deliberately building back our inventories. In EMEA, volumes were up 4%, driven by continued package mix shifts. And in South America, volumes were down mid-teens percent, largely due to a difficult year-over-year comparable as South America ramped up significantly in the third quarter of 2020 after being largely shut down during the second quarter of 2020.

As we look forward, we expect year-over-year growth to accelerate further with strong expectations in the fourth quarter and going forward. Dan will elaborate more in his comments, and we'll also focus on providing more detail by segment.

During the third quarter, we began absorbing the impact of global supply chain hardship clauses being triggered by some of our suppliers for the first time in decades while also weathering the impact of indirect supply chain disruptions for certain materials, dunnage, freight and transportation at our customer locations. Though we have existing mechanisms in our contracts to recoup certain costs and are confident in our ability to recoup such costs over time, at the moment, these mechanisms are not sufficient in the current environment. And as a result, we are implementing a comprehensive commercial cost recovery plan to cover unprecedented excessive costs outside of our normal customer engagements. Our commercial teams have begun discussions with our customers on a case-by-case basis, the need for such cost recovery efforts, if we are to continue to invest alongside the growth of our customers and partners.

In conjunction with our commercial cost recovery plan, we'll also leverage existing contractual terms and conditions to recoup higher input costs in future periods in both our packaging and aerospace businesses. Despite this, our 5-year growth and profitability outlook that we discussed a year ago at our Investor Day remains intact, and we are very excited about our trajectory going into 2020.

Demand for our products and technologies continues to outstrip supply and our new facility start-ups are all on track or better relative to our plans, which will both lead to significant growth in long-term diluted earnings per share, EVA dollars, cash from operations and return of value to our shareholders over the foreseeable future.

Other third quarter 2021 highlights include our global beverage can business completing the start-up of 6 lines, including 4 in North America, 1 in EMEA and 1 in South America and announcing 2 additional greenfields in Nevada and North Carolina; our global aluminum aerosol volumes up 15%; our cups team signing new contracts with the world's largest retailer, a major food service distribution and hospitality partner; our aerospace team opening its state-of-the-art payload development facility in Broomfield, Colorado, expanding our aerospace manufacturing center in Westminster, Colorado as well as successfully launching the Ball built OLI land imaging instrument on NASA's Landsat 9 satellite.

Our North America and South America aluminum packaging businesses are continuing progress on their respective aluminum stewardship initiative certifications following EMEA's ASI certification last year. Our business has hired over 2,000 people net year-to-date to support our long-term growth. We successfully raised \$850 million in a 10-year bond offering at 3.125%; our Board declaring a quarterly dividend of \$0.20 and electing Dr. Dune Ives to our Board, who will bring a wealth of experience and knowledge as we proactively position our products to be the most sustainable in their respective categories; and in 2021, continuing to be on track to return \$1 billion to shareholders while deploying in excess of \$1.5 billion in EVA-accretive growth capital investments while generating earnings per share growth over time of at least 10% to 15%.

In summary, despite near-term headwinds, Ball continues to operate from a position of strength. Our team is executing at a high level and ready to take our performance to the next level.

To all of our global employees, customers and suppliers, thank you for your hard work, for staying safe and for navigating unprecedented supply chain disruptions. Collectively, we are working to regain efficiencies, recover costs and deliver long-term value to stakeholders.

And with that, I'll turn it over to our President, Dan Fisher. Dan?

Daniel William Fisher - Ball Corporation - President & Director

Thanks, John. I echo your thanks to our employees, customers and suppliers. We strive to keep our teams safe. And to everyone listening, we strongly encourage vaccination and boosters.

As John mentioned, the global operations, commercial and procurement teams are managing accelerated growth, large-scale capacity additions, while navigating unprecedented supply chain disruptions. These impacts are largely outside of Ball's control and includes steep supplier cost pass-throughs beyond normal levels.

Ultimately, the compounding effect of labor and trucking shortages outside of Ball had impacted our operational efficiencies, customers' production and filling operations as well as retailers' efficiency stocking store shelves, the degree of which varies greatly by region. Given the scale of cost being passed on to us and, as John mentioned earlier, we are beginning conversations towards implementing the additional commercial cost recovery program.

Our aerospace and aluminum packaging businesses delivered a tremendous amount of value amid current conditions. Third quarter single-digit volume growth in North America and EMEA aluminum beverage packaging was offset by double-digit volume declines in South America due to tough year-over-year comps of 30% growth in third quarter 2020, largely due to the timing effects of COVID in South America versus third quarter 2019 demand.

Our retail marketing investments in cups continues, and supports additional food service launches at stadiums and venues continues across the U.S. The Ball aluminum cup will begin an initial rollout at a major retailer during the fourth quarter and a new contract with a leading global food service and hospitality company that will further broaden the cups' presence at stadiums and venues.

Our aerospace team brought online new infrastructure investments on time and on budget and supported the successful launch of OLI aboard the Landsat 9 spacecraft, complementing our legacy of value-added Earth imaging science.

Demand for aluminum beverage cans continues to outstrip supply around the globe. We remain on track to exit 2021 with an additional 12 billion units of new installed capacity. We also recently announced additional domestic projects, all of which underscore our Investor Day commentary.

To all the teams listening, I know it's been challenging to keep up with the growth, keep your heads held high and focus on basic blocking and tackling. We have the contracts, we have the raw materials, we have the equipment and we have each other.

We also continue to make significant progress in operationalizing and commercializing sustainability and driving our D&I goals. Our operations in South America and North America are on track to achieve ASI certification by year-end 2021. We launched Brazil's first Circular Economy Lab in October, and we continue to finalize our steps to achieve to become carbon neutral prior to 2050 after publicly stating our intent to achieve such goal.

As we discussed throughout 2021, growth isn't always linear. Given our year-to-date global beverage shipment growth of 7% and recent supply chain dynamics, we are on course to achieve high single-digit global volume growth and global specialty mix in excess of 50% for full year 2021. We continue to see annual growth rates in excess of 6% for the foreseeable future.

Ball is well positioned to capture growth given our timely execution on new capacity additions and our established scale and innovation in the world's largest can regions.

Now a few brief comments on each region. In North America beverage, third quarter shipped volumes were up 1% versus 2020 and up 7.4% versus 2019. During the quarter, earnings were down as volume growth was offset by the combined effect of inflationary cost increases from suppliers above current cost recovery provisions, project start-up costs and operational inefficiencies in legacy plants brought about by unsustainably low inventory and indirect supply chain disruptions.

Glendale and Pittston successfully started up additional lines during the quarter. Both plants will exit 2021 with 4 can manufacturing lines installed, and our Bowling Green manufacturing plant started up successfully in early October.

In the near term, the work to build adequate inventory levels is ongoing. These actions and cost recovery will further position the business for success in 2022. Following the successful on-time start-ups of Glendale, Pittston and Bowling Green, Ball has announced 2 new greenfield plants in Nevada and North Carolina. Both are supported by long duration contracts with strategic global customers. We are excited to invest alongside our customers and anticipate these facilities coming online in late 2022 and '24, respectively.

Lastly, I would be remiss not to acknowledge and thank Colin Gillis who is retiring from Ball, for his 48 years of dedication to the company and our industry. We wish him well. Kathleen Pitre, who many of you know was our Chief Commercial and Sustainability Officer in our global beverage business, will do a great job in leading this business in the future.

In EMEA, segment shipped volume for the third quarter was up 4% versus 2020 on tougher comps given prior year's volume increases due to COVID reopening timing and were also up due to customers adding new can filling investments. Versus third quarter 2019, volumes were up 10.7%. Across Ball's EMEA business, demand trends and positive momentum continues. Year-to-date, our can volumes in EMEA are up 9%.

Ongoing high single-digit growth will be driven by new and existing categories utilizing cans and our new greenfield plants in the U.K., Russia and Czech Republic, which are supported by long duration contracts for committed volumes with global and regional key partners. Our EMEA team is executing very well and managing complex country-by-country supply chain issues.

In South America, third quarter volumes were down upper teens percent versus 2020 and up high single digits percent versus 2019. 2020 volumes were up 30% versus third quarter 2019 due to timing effects related to COVID. Cooler-than-normal seasonal temperatures in the first 2 months of the third quarter this year and weather damage sustained to our Extrema facility contributed to lower year-over-year volumes. With unseasonably cold temperatures and the facility disruption largely behind us, October volumes recovered and were up 5%.

We continue to see more earnings upside in South America in 2022 and beyond. The Frutal, Brazil plant started up its first line earlier this month and anticipate starting up its second line in early 2022. Additional investments throughout the region are also on schedule.

As we enter the busy summer selling season and given the nice volume bounce back in October, we anticipate double-digit can growth for the full year, and additional growth will be possible once we have more capacity online.

In summary, our global beverage team is preparing for long-term durable growth while managing volatility and costs across our supply chain. No doubt money was left on the table. We are laser focused on operating safely, controlling the things we can control, recovering cost and delivering high-quality cans to our customers from new and existing facilities supported by equitable contracts.

Our aluminum aerosol team did a good job supplying growth across EMEA, Mexico and Brazil, resulting in 15% higher volumes in the third quarter globally versus 2020 and 5% higher volume versus 2019 for the same period. The team continues to manage varying degrees of reopening status in Brazil and India. In addition, the business continues to expand the rollout of refillable, reclosable aluminum personal care and bottle packaging across multiple categories.

To support the new cups contracts I mentioned earlier, we have increased marketing investments and are adding another cup manufacturing line in our Rome, Georgia cups plant. Following this investment, both lines will be capable of making multiple cup sizes. Turning to profitability. We anticipate 2021 total investment cost in the cup business will be in the range of \$45 million, and we expect the business turning a profit in 2022.

Turning to aerospace. The team continued to win contracts and maintain record backlog. The operating earnings were up in the quarter and included the impact of rate adjustments on fixed-price contracts. This business continues to be positioned for sales and earnings growth in 2021 and margin improvement beyond 2021 given contract mix.

Across all of our operations, we are actively investing in the businesses to deliver on strong demand and grow and train our labor base while also effectively managing supply chain disruptions, recovering costs, achieving returns on capital employed, nurturing our culture and delivering shareholder value. We appreciate all of the amazing work being done across the organization.

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

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

Thanks, Dan. As John mentioned, third quarter 2021 diluted earnings per share were \$0.94 versus \$0.89 in 2020, an increase of 6%. Comparable year-to-date 2021 diluted earnings per share up 17%. Third quarter sales were up due to the pass-through of higher aluminum prices, higher sales volumes and improved mix. Comparable third quarter diluted earnings per share reflects strong results in EMEA, South America, aerospace and aluminum aerosol and a lower effective tax rate related to higher R&D tax credits, offset by lower North American beverage operating earnings, previously discussed higher year-over-year corporate, labor and start-up costs to support business growth and marketing costs to drive the aluminum cup launch. Ball's balance sheet is very healthy and with ample liquidity and flexibility.

During the quarter, we completed a successful \$850 million bond offering at 3 1/8%. Proceeds will support general corporate purposes. And in late October, we used the proceeds to redeem the bonds that were due in March of 2022. In addition, we completed the purchase of group annuity contracts and lump sum payments for certain U.S. pension benefit obligations. Assets totaling \$325 million were transferred to an insurance company during the quarter. The purchases triggered noncash settlement losses of \$130 million recorded in business consolidation and other activities. Year-to-date, Ball has contributed approximately \$200 million to its remaining pension plans.

As we sit here today, some key additional metrics to keep in mind for 2021. Our full year effective tax rate on comparable earnings will now be in the range of 15%. Full year interest expense will be in the range of \$270 million, and full year corporate undistributed costs recorded in other nonreportable are now expected to be in the range of \$80 million to reflect lower benefit accruals. We continue to see a path to doubling our cash from operations by 2025.

Our 2021 cash from operations will grow in line with the earnings trajectory and be aided by a source in working capital. We expect 2021 total CapEx to exceed \$1.5 billion, and returns on capital beyond our 9% after-tax hurdle rate will flow through as new growth capital projects become operational later in the year and in the years to come. Ball continues to be good stewards of our cash as fellow owners and through the lens of EVA discipline, we will prudently balance growth opportunities with consistent return of value to our shareholders via dividends and share repurchases. As John mentioned earlier, we'll return approximately \$1 billion to shareholders through dividends and buybacks in 2021, and we intend to double that total return in 2022.

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

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

Great. Thanks, Scott. In summary, our Drive for 10 vision continues to serve as our guide. We know who we are, we know where we're going and we know what's important. Following our strong year-to-date results and outlook for the remainder of the year, we are positioned to exceed our comparable diluted earnings per share long-term goal of 10% to 15% and achieve our EVA dollar growth goals of 4% to 8% per year in 2021 and beyond.

While we and the rest of the manufacturing world face inflation and supply chain headwinds in the near term that are reminiscent of the 1970s, we are confident that we will get through it. You've heard from us that the sustainable growth trajectory of our business continues. And as we sit here today, we continue to believe we are on the front end of a decadal shift that will favor our packages. The key to our success is to just be Ball, be close to our customers, focus on attention to detail and act like true owners of the business. If we do this, we will generate significant earnings, cash, EVA and return even more value to our shareholders, all while helping to make our world more sustainable.

In preparation for 2022, we intend to host our biennial Investor Day activities on September 21 and 22 in Colorado, and thank you for investing in Ball.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is coming 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

I know you have a lot of people on the line, so I'll just keep my questions to 2. So first of all, John, can you talk a little bit, and Dan, about the implementation of your commercial cost recovery plan, and relatedly, the hardship clauses that you mentioned? And in the third quarter, can you quantify to some degree what the unrecovered cost and other supply chain factors were. Your press release said a lot of this is going to continue into the fourth quarter, so it would be helpful to know what it was in 3Q. And then I had one other question.

John A. Hayes - Ball Corporation - Chairman & CEO

Yes. Yes. Happy to answer that, George. And as I said in my prepared remarks, this inflation we've seen, we really haven't seen this since the '70s. And as you know, because you've been around a long time, we have various cost pass-through provisions in our contracts. In such a steep inflationary environment, they're lagging behind. And so I'll turn it over to Scott in a minute, and he can talk about numbers.

But every customer is different. I would try and probably bucket it in 3 different ways. Number one, we have some longer-term contracts where we have PPI and other provisions, but it's a lag. And so we're in discussions with our partners about investing in the future as part of that because we need to be recovering those if we're going to be able to invest going forward. The others, we have some contracts coming up, and we've already baked that in and priced that into those discussions that we've been having. And then we have some open contracts that we will be pricing it in.

Every customer is a bit different, but we need to make sure that we are adequately capturing during all the costs in a timely way because we do believe, over time, we would get it. And if the hardship clauses and other things begin to abate, we're happy to talk to other customers about making sure that they participate in that as well. So maybe what I'll do is quickly turn it over to Scott, he can talk about the specific numbers.

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

Yes. George, and inflation impacts in the third quarter in North America alone, think in the range of \$25 million to \$30 million. And there's probably another \$10 million of inefficiencies where customers are out of CO2, so they can't run their operations. They don't have labor to run their operations, dunnage shortages, things like that, that impacted us negatively to the tune of roughly \$10 million-plus in the quarter.

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

Okay. And just I'm not quite sure I recall what goes into the hardship clause, if you could touch on that. And then to your other comment, John, about decadal shift in beverage cans and your packaging. Clearly, we've seen really good growth over the last number of years. One of your larger customers yesterday was having an ESG Day of sorts. And it seems, from our vantage point, a lot of the focus was on trying to make plastics more sustainable. What were your impressions about the plastics industry attempt to do this? And what are you seeing from your

customers in terms of whether they truly see that as a solution or whether aluminum is still the preferred solution, recognizing you might be a little bit biased in that?

Daniel William Fisher - *Ball Corporation - President & Director*

So maybe I'll take the hardship clause, George, thanks for the question. I think about sort of compounds, inks, chemicals, epoxies, that world. Traditionally, the pass-through mechanisms largely, as John indicated, at least for the last 20, 30 years, sort of mirror our commercial contracts. But when those chemicals get outside of kind of a compounding inflationary rate, it differs for each compound, let's say, in excess of 10% just for purposes of this discussion. They have the ability to pass those through in shorter time intervals than on an annual basis. So we've been absorbing that. And that's largely what we're experiencing.

From a plastic standpoint, maybe I'll let John handle that and then maybe I can give some color on the specific conversations we're having with customers on the branding side.

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

George, this whole larger topic, the consumer realizes that plastic is polluting our planet. Full stop. We recognize that many of our customers have deep profit pools that are filled with plastic, and we don't anticipate that they're going to do a wholesale shift from plastic to aluminum.

But I'll pick on Europe right now. In 2019, the total package share of cans was 27%. 2021, it's 31%. That's a 4 percentage point change. CSD went from 16% can penetration to 19% in 2021. Beer went from 35% to 37%. Energy went from 69% to 76%. That's just in Europe. The same thing is going on here in North America.

And so if you really want to talk about the circularity and the circular economy, plastic is not the solution to that. We recognize that there are certain instances where plastic may make more sense. But in a wholesale way, the train is already leaving, and that's why we said that we really do believe this is a decadal shift, and you're going to see more and more going into this.

You see in the existing infrastructure bill, there is discussion about infrastructure investments in the recycling side. You talk about plastic taxes that are on current bills on the floor right now. This is not leaving, this whole extended producer responsibility is going to become more and more important. Even in this quarter alone, Maine introduced an extended producer responsibility for responsibility law for plastic because they recognize that it's polluting the planet. This is only going to accelerate, and we have a solution.

Daniel William Fisher - *Ball Corporation - President & Director*

The only thing I'd add to the comments, I think you asked the question in and around customers and discussion. I would think about it this way, George, there are whole brands that are in PET. In the conversations we're having, very candid conversations with our customers, that's a real problem. And right now, we can't move fast enough to convert those entire brands over. And as a result, I think folks are fighting a good fight to hold on to rPET and collection efforts and what they can for as long as they can because the anti-plastic sentiment is not going anywhere. It's accelerating, and the conversations we're having are candidly far different than even a year ago.

Operator

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

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

I guess on the 1% volume growth in North and Central America, knowing that you had tough comps, I'm just trying to understand how much of the moderation in growth is supply chain related versus the actual comp. And just given all the constraints at current, has that started to slow new beverage launches at the customer level? Just trying to understand how volumes will evolve over the next couple of quarters as your capacity gets layered in and where exactly the bottlenecks are in the supply chain and how you're managing your suppliers in context of that.

Daniel William Fisher - *Ball Corporation - President & Director*

It's a great question. I think, Scott commented in his financial overview on some of the impacts. But I think when you think of dunnage, when you think of freight and when you think of, candidly, labor issues, both with our suppliers and our customers, breweries are struggling, filling locations are struggling. So it's across the entirety of the ecosystem.

Rough math when we've investigated sort of what our growth would be in a more stable supply chain for North America, it would have been in excess of 6% growth shipped volumes for the quarter.

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

Okay. Got it. That's helpful. And then in terms of Europe, just your outlook for 2022. One of your peers talked about a tougher year in Europe for them next year, and I'm just curious as to how you're viewing it at this point.

Daniel William Fisher - *Ball Corporation - President & Director*

Yes. We're not looking at it in similar terms. So we're very bullish on Europe. Some of this has to do with and we've reflected on this historically, we've got a significant presence in the U.K., in Russia and with a large energy drink customer. And everything that we're seeing is really strong growth projected for '22 and beyond. In a larger aggregate, we're in the early stages kind of putting together our 3-year strat plan right now.

Ghansham, when I look at the 3 major regions, maybe this will be helpful, we're looking at demand in excess of capacity to the degree in the neighborhood of 10 billion units again for next year, and Europe has a good portion of that. So we're very bullish on the investments we've got going in the ground and the continued dialogue with our customers.

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

Yes. And even to my comments, Ghansham, on the commercial cost recovery plans, we're doing that in Europe. And so we expect to see good profitability growth in 2022. Now I will caution that it's early November 2021 right now. So we still have a lot of work to do and some go get, but that's our expectation.

Operator

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

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

I guess, first off, maybe I can just get your perspective on the issues around magnesium. How would you kind of characterize maybe your supply? And maybe if there's any outlook on cost inflation in the magnesium area by region over the next, say, 6 months or so?

Daniel William Fisher - *Ball Corporation - President & Director*

Yes. I think the magnesium issue, you could argue that's a little overblown. I think in talking with our supply base on a regular basis typically, you would hold anywhere between 6 to 9 months of inventory. I think we've got assets, human capital, actually, that's in China that's working on a daily basis with our supply base over there and magnesium suppliers there. The operations are back up and running. I think there was an inflection point in inflation, as you said, a few weeks back. I think that's dissipating pretty significantly right now.

So as we sit here today, I appreciate the question, but this is not sort of top of mind in terms of the surety supply issues either with our supply base or from a cost perspective.

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

And then just a little bit more detail on the larger cost recovery program. How did this kind of come about? And I guess is this kind of a structural change to your business? Or is that kind of the objective longer term? And if so, what kind of productivity targets should we think about on an annual basis?

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

No, I mean, I think my prepared comments speak for themselves. I think this was a big accelerant during the third quarter, and it is faster. And we've had to choke down some of those things. And so we're just working with our customers as partners saying we got to share in this going forward. But I don't believe it's structural.

And as I said, to the extent they come back down, we'll work with our customers to make sure that they benefit from that as well. It's just we should not be the toggle in the whole supply chain switch here. That's the main point.

Operator

Our next question is coming from the line of Kyle White with Deutsche Bank.

Kyle White - *Deutsche Bank AG, Research Division - Research Associate*

I wanted to focus on volumes in South America. I think you said October was up 5%, and you're pointing to double-digit growth for the full year, which I think would imply a much larger growth than 5% in 4Q, but maybe I'm misunderstanding something there. So any details you can provide on South America and trends there.

Daniel William Fisher - *Ball Corporation - President & Director*

Yes. I think that's largely correct. I mean we're not going to go into forward guidance, but I think the reverse engineer of the math would suggest, I'll tell you this, we're selling every single can we're making in South America. And so if you backtrack into the capacity that we've added, reverse engineer that, you get to, I think, very close to the hypothesis you put forward.

Kyle White - *Deutsche Bank AG, Research Division - Research Associate*

Got it. That helps. And then just talking about price elasticity of demand in regards to the beverage can, maybe just overall thoughts on that? And more specifically, for example, on premixed cocktails, which I think is kind of a faster-growing category that a lot of can-makers are bullish on. But some of those products are already priced relatively high for consumers. Are you concerned at all in terms of growth being impacted from all the inflation that we're seeing?

Daniel William Fisher - *Ball Corporation - President & Director*

I'm not. And why I'm not or why we're not is when we look to a number of our customers. And if you look to some of their commentary, they're saying if you have innovation and you have the product, candidly, they're not seeing the same historical constraints relative to price elasticity.

I think as John indicated, it's still November 2021. So I don't know where all of this goes in terms of supply-demand impacts. But the other thing that we're looking at is inflation is hitting and supply chain challenges are hitting every other substrate. And I don't think anyone is going to retrench further into plastic or other substrates at this point given the sustainability challenges that those substrates have. So as we sit here today, pretty positive, pretty bullish that these products can take on more price and it won't impact the volume curve.

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

And the only other thing I'd add as well is when you think about all the substrates in beverage packaging, whether it's plastic, glass, aluminum cans, the raw underlying costs are all tied in one way, shape or form to energy. And so they all, over time, have a correlation that's relatively consistent. And I think sometimes we all collectively forget that about a little bit.

Operator

Our next question is coming from the line of Salvator Tiano with Seaport Research Partners.

Salvator Tiano - *Seaport Research Partners - Senior Analyst*

So the first thing I want to understand a little bit is as you think about your contracts and your pass-through mechanisms and recovery, how do they differ by region, EMEA, South American and North Central America? And how should we think about the price cost performance in the next few quarters by each region?

Daniel William Fisher - *Ball Corporation - President & Director*

I think the only meaningful difference, I think the economic integrity of each contract and the pass-through mechanisms are consistent. They may be more tied to regional inflationary mechanisms as opposed to a standard inflation pass-through. And the only thing that we're saying and the cost recovery comment that John provided in his prepared remarks is that these pass-through mechanisms outside of metal typically work a year in arrears. And in an inflationary period that we're experiencing, again, something that we haven't seen in 40 years, that's not sufficient for quarter-to-quarter P&L integrity. And so we're going to try to address that with new contracts that we're entering and partnerships that we have established.

Salvator Tiano - *Seaport Research Partners - Senior Analyst*

And just to clarify here. You mentioned, okay, 1 year lag essentially, but the idea was that as you were negotiating contracts and getting better terms for the past few years, one of the terms was offsetting of this cost. So were the lag worse/longer before? What has changed versus a few years ago?

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

No. Some of them what's happened a couple of years ago, in some of the contracts, particularly in the ones that we acquired through the acquisition, didn't even have inflation pass-throughs. And so we've certainly adjusted that. I think what Dan just said is completely correct. It's really

just the timing effect here. But again, as I said earlier, we should not be the toggle in all this, and I think it's important that, that's what we're focused on with our customers.

Daniel William Fisher - *Ball Corporation - President & Director*

And the only thing that's different is inflation has gone through the roof, at an accelerated pace. So that's been the difference. But the contracts have worked how we thought they would work.

Salvator Tiano - *Seaport Research Partners - Senior Analyst*

Okay. Perfect. And just a little bit on 2022, recognizing you typically don't provide specific guidance, but any key pointers you can provide for next year's earnings or EBITDA or any other buckets that can drive the earnings bridge?

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

I will stand by that we feel very bullish with all the investments we're making that we will be able to meet or exceed our 10% to 15% long-term earnings per share goals as well as our 4% to 8% EVA growth.

Operator

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

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

First, I wanted to square maybe 2 of your comments on North American beverage can. I think you said shipments would have been up 6% or so if the downstream supply chain was just working better. And then secondly, you talked about inventories in the system still being quite low. So I guess, were you able to use some of that gap versus your actual 1% shipments to rebuild inventory in the quarter? Or am I kind of misunderstanding some of the moving pieces there?

Daniel William Fisher - *Ball Corporation - President & Director*

No. That's a great comment and good insight. Yes, we are really holding firm on trying to build inventory in Europe and in North America, specifically at this point in time. So some of that has constrained the ability to ship within the quarter. But the comment is in and around the 6% or -- looking at Q3 for North America, in particular, we thought we'd be -- when we look at the upstream and downstream disruptions within the supply chain ecosystem, we would have been north of 6% for ship volume growth in the quarter.

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

Got it. That's helpful. And then secondly, I think the 3Q cash ending balance was the highest 3Q level in a while. And you did, call it, \$200 million in buybacks in the quarter, and you probably need to double that or so in 4Q to get to \$1 billion cash return this year. So I guess is there something wonky around the quarter end cash timing there? Or I guess why wasn't buybacks maybe a bit higher here in 3Q?

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

Yes, there is something wonky. We did a bond offering during the quarter, and then we redeemed notes after the end of the quarter. So that's why the cash balance was so high. It will normalize by the end of the year. It's normalized as of today. We paid off those bonds a couple of weeks ago.

Operator

Our next question is coming from the line of Christopher Parkinson with Mizuho.

Kieran Christopher De Brun - Mizuho Securities USA LLC, Research Division - VP

This is Kieran on for Chris. Just on the aerospace business, you had a strong quarter in 3Q. It looks like you're having some contracts ramping that benefited you and should continue to benefit in the fourth quarter. Any color you can give us around those contracts, like where are you seeing the pockets of strength, stronger activity and maybe how we should think about that ramping into next year would be helpful.

Daniel William Fisher - Ball Corporation - President & Director

No, it's good insight. I think you're reading it correctly. We're stepping into the meat of the backlog, if you will, and some stronger margin projects that are starting to kick off. They'll continue into '22, '23 and '24. And so you should see, and I think I established that in my prepared remarks, you should see favorable project mix starting to show up in a cascading way over the next several years.

Kieran Christopher De Brun - Mizuho Securities USA LLC, Research Division - VP

Great. And then just a quick one. I was wondering if you can just parse out in terms of the volume headwinds that you experienced in the quarter in South America, is there any way that you can give us an idea of the magnitude from the weather events on the overall impact versus the kind of difficult comps per se?

Daniel William Fisher - Ball Corporation - President & Director

Yes. I think it's a combination of 2 things. What you saw from quarter 2 to quarter 3 in 2020 was a V-shaped recovery in that market. And so you shipped out a lot of inventory heading into Q3 that you built in Q2, transitioning out of COVID. Both July and August were double-digit declines in terms of year-over-year shipments, and we were more in line with the flattish growth trajectory in September. You should think probably in the neighborhood of 1 billion units was compromised in that 8-week period.

Operator

Next question is coming from the line of Angel Castillo with Morgan Stanley.

Angel Castillo - Morgan Stanley, Research Division - VP

I just was wondering if you could give us a similar view of what you've talked about kind of with South America and North America in terms of, particularly for EMEA, in terms of the environment and kind of the supply issues or supply constraints and intermittent issues that have taken place there, what growth would have been in that region for EMEA.

Daniel William Fisher - *Ball Corporation - President & Director*

Yes. I don't have that readily available. Probably a couple of percentage points more of growth would be what I would suggest. It was far more significant in North America where the supply chain issues across the entirety of the ecosystem. And it was compounded by the fact, candidly, that we had such low inventory levels. We could not react in locations, in filling locations. If there was an opportunity to ship more, we just didn't have the safety stock to lean into that. So it's far more pronounced in North America. But yes, we left a little growth on the table in Europe for sure.

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

Yes. And I think when I think through it, I specifically think about the driver shortages in the U.K. and even in Russia. And CO2, there are CO2 issues in the U.K. where many of our customers were down for several weeks, if not longer, on that. So I think it was largely every country was a bit different. There are slight issues in Germany from a freight perspective, trucker perspective. But I immediately think of the U.K. and Russia.

Daniel William Fisher - *Ball Corporation - President & Director*

Yes. The most pronounced was the U.K. I agree.

Angel Castillo - *Morgan Stanley, Research Division - VP*

That's very helpful. And then in terms of, you kind of touched on it earlier, just impacts, I guess, to the customer level. As I think you talked about it a little bit last year -- or sorry, last quarter in terms of still water and what you're starting to see, maybe some more chatter around that or maybe more launches. I guess any impact to that? How is that progressing in terms of what you're hearing from your customers in terms of intentions or potential products there?

Daniel William Fisher - *Ball Corporation - President & Director*

Yes. There is a fervor around still water right now. And what you're seeing is like, I think, any new market that's opening up, it's an awful lot of entrepreneurial attempts at it. And I think anything that's a closed venue, so it could be anything from the venues that we're seeing concerts in, the sporting events to theaters to airlines to you name it, those are easy locations to change out plastic and the composition of that in those venues. And so lots of conversations in and around that.

I won't go into too much detail because it will steal our strategic thunder. But I would see more and more opportunity moving forward with larger and larger brands to get more into still water.

Operator

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

Anthony James Pettinari - *Citigroup Inc., Research Division - Director & US Paper, Packaging & Building Products Analyst*

Congratulations to Colin. Some of your peers have seen demand impacted by COVID lockdowns, maybe in some regions that you don't participate in as much like Southeast Asia. But I'm just wondering, it sounds like there's some restrictions in Russia, which is a big market for you, and maybe kind of a worsening of cases in Europe. I'm just wondering if you're seeing any impact from that or if there's sort of a holistic way to think about that risk. Or do you think your customers in the channel have maybe gotten better in terms of managing those kinds of restrictions, but still delivering product? Just kind of any thoughts there.

Daniel William Fisher - *Ball Corporation - President & Director*

Yes. It's interesting. We have a significant series of assets and ecosystem in Russia. It feels like every other week, there's something that pops up there. So I would tell you that the customers, the suppliers and us have started to figure it out.

And of course, we're not immune to a significant event in a major city, but I think everything that we're hearing is we're able to operate. Our team is doing a remarkable job figuring how to keep our folks safe and keep our customers in cans. We are still on allocation there. That is a terrific market and has been for us and will continue to be into 2022 right now. We are not concerned about continuing business surety or business continuance in that part of the world.

Anthony James Pettinari - *Citigroup Inc., Research Division - Director & US Paper, Packaging & Building Products Analyst*

Okay. That's very helpful. And then the release mentions your sale of the minority stake in South Korea. I'm just wondering if you could touch upon that decision.

And then maybe going the other way, I mean, your balance sheet is in good shape. Are there any opportunities at the margin for bolt-ons or acquisitions, understanding you have a lot of organic growth opportunities in-house.

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

Yes, I'll take the first part. The sale of the Korean JV that it wasn't really a strategic place for us to be. Our global customers, it's not a critical place for us to operate. And for us, the best solution and frankly, it was marginally profitable. So frankly, the best solution was to get our capital off the table and do other things with it that we can earn better returns on. I'll turn it to John...

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

Yes. On the strategic front, while we're always looking, it's not the highest priority for us right now. And we've been looking we always look in all of our different businesses for opportunities, but to your point, it's well taken. We have more opportunities, internal opportunities for growth than I've seen in my 23 years at Ball Corporation. And we think that for the foreseeable future, we're going to continue to see that.

Will there be an opportunity that pops up kind of like what happened in aluminum aerosol last year in Brazil? Yes, there could be things like that. But I don't think it's anything that would stretch our balance sheet materially.

Operator

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

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

You've provided great insight in terms of how demand and volumes are tracking in Brazil, call it, October and just more broadly in the fourth quarter. Any color on how things are kind of shaping up in North America and Europe right now, just because it would be helpful to kind of give us a perspective as some of these issues you saw in the 3Q is abating at this point?

Daniel William Fisher - *Ball Corporation - President & Director*

I think we're managing them better. I think the demand profile looks healthier in terms of improved performance year-over-year. I think we're also trying to manage and balance in my previous comments, building inventory. So we can more effectively manage peak season next year because

we did not do an effective job of that this year, in North America, in particular. And it cost us a lot of money. So we are going to balance and try to thread that needle in terms of we're still oversold in North America. And if we're going to do the right thing for our customers, we're going to protect them for peak season next year.

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

Got it. That's helpful. And then that's a perfect segue, Dan. When you kind of look out to 2022, how should we think about start-up costs in North America because you're adding more capacity? But more importantly, how much bandwidth do you have in that market for growth, just assuming everything kind of lines up properly? And how do you see kind of inventory levels shaping up as you kind of head into that peak selling season next year?

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

Look, I think start-up costs would kind of be in the same range because we're still starting up a lot of assets next year. It could come down a little bit. But we'll have the benefit we're exiting this year with 12 billion more units to sell next year. So I think that we'll have a nice lift in profitability because of the investments that we're making today that will more than offset the start-up costs next year.

Daniel William Fisher - Ball Corporation - President & Director

Yes, you will see in North America specifically, I think that's where you're catching that comment. We've talked repeatedly that we will exit the year with 12 billion units globally of installed capacity heading into 2022. 2/3 of that is North America, and that will precipitate some really nice growth for us for each quarter and the balance of 2022. And knock on wood, we're going to enter the year with a much healthier inventory position. So we're going to be able to execute on that portion of the growth trajectory as well.

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

Got it. Okay. And just one point up question for me. The \$35 million to \$40 million hit you saw in 3Q that you called out on inflation and inefficiencies, I mean it sounds like most of this is timing related. But should most of that be flushed out when we think about 2022 or there's going to be some hangover effect still?

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

No, I think we have got good mechanisms, as we talked about, to offset all of that next year. What John was talking about in our commercial strategy is we need mechanisms that react quicker to be able to offset it when we have these big spikes.

Operator

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

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

Just a quick question on hard seltzers. And realizing that it's a small component of your business. Can you help us think about how your new plans that you're constructing and future plans will be impacted by the fact that hard seltzer growth is now appearing to come down even further? One of the larger producers obviously made an announcement a couple of weeks ago on that. And just wondering how that impacts your operation and your current production, whether do you need to adjust your thoughts around that business. Even though it's still a relatively small component

of your business, wondering if you're going to have to adjust anything that you currently built or need to build to align with what's happening in that segment.

Daniel William Fisher - *Ball Corporation - President & Director*

Short answer, no. It will have no impact on our business moving forward. I would just refer you back to some of my comments on this call. Right now, as we sit here today, we're 10 billion units oversold in our 3 major regions. The majority of that's in North America.

The anti-plastic sentiment is really starting to build in a meaningful way. So a lot of brands that you have seen historically that have all been in plastic, they all need to find a home. And so we've got no shortage of opportunity. I would also say, as the retail providers begin to stabilize their supply chain, they want innovation, and our customers want to push out innovation. And a more stable supply chain ecosystem is going to provide a lot of opportunities that candidly our customers and us have been sitting on for the last 12 to 18 months. So no, hard seltzer is not going to impact our current plans or our future plans.

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

Got it. Appreciate that. And just one quick question on aerospace and labor. Obviously, you guys cited labor being a challenge. We're hearing some chatter that there could be more significant challenges around the labor pool in the defense industry. So I'm wondering obviously, some of the labor pool there is very specialized labor, working in highly technical skills. So I'm wondering if with respect to labor, you're encountering any of those issues in aerospace.

Daniel William Fisher - *Ball Corporation - President & Director*

Short answer, no. I think there was a short-term dislocation, and it's happening everywhere. And I can tell you, we've probably had a couple of hundred retirements that we knew were going to come within the next 5 years, but it's happened because folks are exhausted of COVID. And so we saw that.

We have been hiring for the last 3 years 1,000 folks a year. We'll continue to hire 1,000 folks next year. And so the balance of retirement versus attrition and what that net number can have an impact on the rate. But I think the team understands this. I think this is a spot anomaly just to be fully transparent. We're seeing it in other parts of the business. And I think as the world starts to reset and get back to normal, you'll see less and less of that.

So I think we had an intermittent hit here in the last 6 months largely due to COVID because of unanticipated retirement. But the team has done a remarkable job recruiting. And I think what we're finding is Denver and the excitement about being part of Ball and some of the projects we're working on is a hell of a talent magnet.

Operator

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

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

So my first question is just thinking about some of the cost pressures that have taken a lot of time on this call and your proactive intention to work with your customers on the contracts to get those inflation escalators back. On top of which, you have absorbed a lot of start-up costs this year as you significantly added capacity across the network. Historically, kind of we thought from a volume leverage perspective, kind of profit growth for Ball can be nearly 2x volume growth. Over time, clearly this year is maybe not quite living up to that or there's real headwinds to that kind of

operating leverage. Do you think you can make sufficient progress on those contracts with your customers in this environment, to be back in that kind of operating leverage range next year?

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

Absolutely. As we look to 2022, we get excited about it. It's just this inflation came so quickly that the mechanisms were in place, and that's what we've been talking about, and that's what we are talking about with our customers. But that 2:1 ratio you're talking about, we fully agree with that.

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

Okay. All right. That's great. And then in this environment where you've had issues in terms of sales volumes, utilization issues, both up and downstream that are causing pressure, which one do you see as kind of most important in terms of getting the shipment volumes back kind of where you target them? Is it really just your customers getting their issues sorted out? Is it your supply chain? Where do I think the key bottleneck is in terms of your shipments returning back to a more normal cadence?

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

Well, it's interesting. It really is the whole supply chain. When you think about ocean port delays with raw materials on it. Then you think about once it gets to the port, after sitting on the ocean for months, then you got driver shortages. And then as we talked before, some of our customers experienced CO2 issues and others are having labor issues in their own filling breweries. As a result of that and then combine our low inventories, and what we have to do is play a bit of whack-a-mole. That's what 2021 has been around. To Dan's point earlier about being deliberate and intentional about building inventory, so we have sufficient safety stock to eliminate that variability, that's the key thing we're focused on in 2022.

Operator

Our next question is coming from the line of Adam Josephson with KeyBanc.

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

Dan or John, just not to beat a horse here. But on the the North American contract issue, can you just help me with if I go back 3 years, freight was a big problem for the industry, and you subsequently renegotiated some or many of your contracts, and so freight was no longer an issue. So I'm just trying to understand what cost recovery mechanisms you had in place as a consequence of having restructured all those contracts compared to what you're dealing with now? I mean did you not have recovery of all nonaluminum costs in those contracts? Or I guess why would you have a year in arrears recovery built into these newer contracts? Or is it just that these contracts have not been renegotiated in several years? I'm just trying to better understand the sequence of events over the past few years.

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

Well, there are several things. There are some of those longer contracts that haven't but those are largely over. Really, what it has to do with is in some of our supply contracts, there's hardship clause that have if petrochemicals go up more than a certain percent, that they have the right to surcharge. And we have the right to move that on to our customers but it's only on a yearly basis.

And what we're talking about doing it more quickly because a lot of this happened in the third quarter. It happened this summer, and it was the most acute it's been in 40 or 50 years. And so again, I want to reiterate, this is not a function of can we get it back, it's a function of the timing of when we get it back. And that's what we're talking about.

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

And how are you able to do that? John, I appreciate that. Just without renegotiating, in other words, about renewing that you're talking about doing so before the contract is up for renewal, is that right? And how does that work compared to how it's done when the contract is actually up for renewal?

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

Yes. Yes. Every customer and every contract is a bit different, so I'm not going to go into specific customer by customer. But many of our customers are partners. And as we invest with them longer term, you work as partnerships and say, help us out in the short term, and we can help you out in the long term because they need cans.

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

Right. Understood, John. Appreciate that. And just one last question we no longer get the CMI data, but can you hazard guess as to what you think the industry was up in the third quarter just compared to previous quarters and compared to last year for that matter. Just again, we no longer have the benefit of getting the industry information to be, just interesting to know what you think the market did in the third quarter and previously for that matter.

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

Well, it's interesting because then you got to start thinking about imports and all these other things. And as we said before, we think imports -- if you annualize what's happened after the last 3 quarters, we think the imports will be around 16 billion in North America alone. Now that would have never been captured in CMI data, anyway.

And so I think when you think about that and you think about the context of what we had a 1% we've actually had 7% growth year-to-date in [Global Beverage]. I can't tell you off the top of my head what our competitors have had. But you can layer all that in and you can very quickly see that this growth is stronger than any given quarter. And Dan said it best, it's not going to be linear every quarter.

Daniel William Fisher - *Ball Corporation - President & Director*

And the only thing I would add to that, Adam, is we talked about the industry being up 100 billion units from the end of 2019 at our Investor Day a little over a year ago. We are ahead of that right now despite one of the largest supply chain disruptive periods and COVID. And so the only thing I would continue to say is demand and the outlook looks far better than it did last quarter, 2 quarters ago, 18 months ago. And I think North America is going to continue to grow, and it's going to be in excess of 6% for the foreseeable future.

Operator

Our next question is coming from the line of Mark Wilde with Bank of Montreal.

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

Just very quickly, 2 issues. Can you just talk with us about how you expect the import volumes to kind of cadence going forward? I mean that 16 billion units is probably 2x what I think most of us were expecting just maybe 6 months ago.

And then the second question is if you could just update us on your efforts to help improve the recycling rate on beverage cans in North America. Because to me, this looks like a little bit of a potential Achilles' heel if it's not addressed.

Daniel William Fisher - *Ball Corporation - President & Director*

Great question on the import of cans. It surprised us to the upside as well. I think we entered the year thinking maybe more in the 10 billion to 12 billion range, and that speaks to the strength of aluminum and maybe lends itself to your next question.

But as we sit here today, we're putting a ton of capacity online. Our competitors are putting capacity online. And early insights into 2022 is we're significantly oversold again. And so I think there will be some need for importation again. We will be importing as well. We may be importing in other regions because the growth is so significant in some of the other regions.

So yes, as we get a clearer picture, we'll indicate kind of what we think that is, but this is early stages of our planning period for 2022. And it's clear that our customers don't want to be paying that much in freight. So if we can domicile that, it's just going to be a matter of how fast we can domesticate that volume. But there will certainly be need probably for 2022 and I would assume 2023 for some importations at some level.

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

And Mark, to your point about the growth, you're absolutely right. It does reinforce the need for recycling. And a couple of things. I'll remind people that while the recycling rate in the United States is the lowest in the world, it's still 8 to 10x of any other substrate in any meaningful way. So it's important to note that and 70-plus percent of all the aluminum in a can is recycled content currently.

I think the recycling is a very complicated issue, but there's 3 things. You got to focus on the infrastructure, you got to focus on the collection and then you got to focus on the producer responsibility.

With the infrastructure in the existing bills that are being bandied about in Washington, D.C. today, there are money set aside to help the local municipalities reinvest on the infrastructure of recycling. And so we're very hopeful that will get through because that will provide the necessary means for these municipalities that have to focus on health care and schools and roads and sewers and everything else, provide them the necessary means to recapitalize the recycling infrastructure that hasn't been recapitalized since the 1960s.

Then it gets to the collection side. And we can have debates about curbside collection versus deposits. But if you get the infrastructure in place, then you got to get the collection. And we do a very poor job across the United States in collection. And at the same time, then it gets to who's going to pay for all this. Well, then it gets to extended producer responsibility. And if there's no economic value in a recycling stream of certain substrates, then they are a free rider and they ought to be paying for it.

Those are the discussions we're having with our state and federal legislators about the recycling infrastructure, the collection and the producer responsibility. And so this is not a short-term game. It's a long-term game. I wish it would move faster, but it is what it is. But we are putting our shoulder into this to make sure that people understand the value of aluminum in a recycling stream.

Okay. Great. Well, thank you, everyone, for your participation. Dina, thank you for hosting us, and we look forward to engaging with you over the next quarter. Take care.

Operator

That does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.

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