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PRESENTATION

Operator

Greetings, and welcome to the Ball Corporation Fourth Quarter 2020 Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded, Thursday, February 4, 2021.

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

John A. Hayes - Ball Corporation - Chairman & CEO

Great. Thank you, Dmitra, and good morning, everyone. This is Ball Corporation's conference call regarding the company's fourth quarter and full year 2020 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. In addition, the press release financials include description of new segment reporting for our EMEA and other nonreportable segments.

Now joining me on the call today are Dan Fisher, our new President; and Scott Morrison, 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 the outlook for the company.

First, let me begin by thanking our employees. Together, we were able to adapt, work safely, serve our customers and hire thousands of new colleagues amidst unprecedented growth and external challenges. Your empathy, flexibility, adaptability and can-do spirit are remarkable. So thank you.

I also want to thank our customers, suppliers and the communities in which we operate as well. This past year has put profound challenges on all of us and our ability to work with each of you for the betterment of all is not taken for granted by us. We're truly blessed as an organization and as a family of Ball employees to work with you all. And together, we have persevered.

2020 finished strong with full year comparable diluted earnings per share up 17%, full year comparable net earnings up 14% and EVA dollars up 25%. Momentum continues across our businesses with full year and fourth quarter global beverage volumes up 5% and 12%, respectively, and won-not-booked backlog in aerospace is up 30% year-over-year.

The growth trajectory in our packaging and aerospace businesses, our strong balance sheet and financial flexibility and our execution on growth capital investments give us even greater conviction in our ability to significantly grow diluted earnings per share, EVA dollars and cash from operations. Together, these elements will enhance a significant return of value to shareholders in 2021 and beyond.

Our focus remains on working safely, executing on capital investments, leveraging our product portfolio and technologies, enhancing the customer experience and investing in talent, training, processes and systems to deliver long-term value.

Before I turn it over to Dan to discuss our business performance, we've had a variety of well-deserved promotions since our last earnings call. And I want to congratulate everyone, including but not limited to, Dan, Scott Morrison, Lisa Pauley, Ron Lewis, Carey Causey, Dave Kaufman, Charles Johnson and Jay Billings on their well-deserved promotions as well as to Stan Platek on his upcoming retirement and many contributions to Ball.

Our long-standing succession planning process is thorough and thoughtful. In 2020, our employee base is up over 3,500 people to serve the sizable amount of growth in front of us. With our once-in-a-lifetime opportunity happening as I speak, this is a perfect time to further engage our rising leaders while leveraging long-standing Ball mentors to support their success to create equal opportunities for each and every one of us at Ball.

Other highlights in 2020 include: Our global beverage business has completed or is completing the start-up and speed up of numerous lines in the U.S., EMEA and Brazil as well as announcing additional projects to install at least 25 billion units of contracted capacity by the end of 2023. Our aluminum aerosol business successfully closed on the aluminum aerosol manufacturing plant acquisition in Brazil. Our cups team constructed and started up our first dedicated aluminum cups manufacturing facility in preparation for our expanded 2021 retail launch, which we expect shortly.

Our businesses have significantly increased employee training and development to ensure smooth start-ups of our various projects as well as hosted a variety of virtual programs to help our new folks get up to speed on who we are, where we're going and what's important, whether it be behaving like true owners to our EVA mindset or providing inclusivity programs to help foster immersion into the Ball culture. And we further drove our sustainability leadership to ensure that aluminum packaging continues to be the most sustainable package in the world, whether it be publishing third-party reviewed life cycle analysis that independently verified aluminum packaging as the best substrate relative to its carbon footprint; finalized approval of our science-based targets that's in alignment with the 1.5-degree Celsius targets of the intergovernmental panel on climate change; implemented several renewable energy programs; achieved system-wide performance of Chain of Custody and ASI Certification in our EMEA business; or launch plans to achieve ASI Certification in our remaining regions.

In summary, Ball continues to operate from a position of strength, and our future is getting even brighter. Despite the rise in global COVID-19 cases in the geographies where we operate, nothing is slowing us down in our businesses, and we are excited to bring additional capacity and infrastructure online as quickly and as safely as possible in 2021 and beyond.

To everyone listening, best wishes to you and your family for good health and continued safety. And with that, I'll turn it over to Dan.

Daniel William Fisher - Ball Corporation - President & Director

Thanks, John.

It is certainly humbling to step into my new role as President. This is a company that means a great deal to me and has for the last 11 years. In my estimation, the future of Ball has never been brighter, and I look forward to continuing that trajectory with our over 22,000 team members for years to come.

Transitioning to how we ended the year, I echo your thanks to our employees, customers and suppliers. We all became closer during 2020, a silver lining for sure. Our HR and environmental health and safety professionals in packaging and aerospace continue to keep our team safe and vigilant. And in certain regions outside of the U.S., our teams have facilitated access to additional health care services for our employees and their family members impacted by COVID-19. Thank you again. You are saving lives.

First, I'll spend some time discussing global beverage and then move on to our aerospace performance and outlook. In 2020, global beverage volumes were up 5% despite the difficult second quarter in South America and EMEA. Specialty mix increased to 46%, operating earnings were up 8% and we increased EVA dollars 40%. We also secured new customer and supply chain contracts; refocused on customer experience with the new customer portal, The Source; began manufacturing the aluminum cup at scale; expanded our team to ensure our growth is properly resourced; elevated a diverse group of leaders across management, engineering, commercial and procurement. And as John mentioned, we made significant progress in commercializing sustainability. The team truly delivered amidst challenging circumstances.

As we discussed throughout 2020, growth in our global beverage business is accelerating, and every day is leading to even more opportunities as consumers and customers continue to leverage sustainable aluminum packaging with their brands and product extensions. It is vital in 2021 that we effectively manage complexity, support a resilient and agile supply chain, deliver a great customer experience and through sustainability in our product portfolio, continue to broaden the addressable market for aluminum cans, bottles and cups. And though it is only February, I'm very positive about our ability to achieve these goals and deliver low double-digit global volume growth and global specialty mix in excess of 50%, an aspiration we first discussed at our 2018 Investor Day.

By 2025, we continue to believe that the industry will grow by at least 100 billion units, and Ball is well positioned to capture at least 45 billion units given our scale and capabilities in the world's largest can markets. By the end of 2023, we will have installed 25 billion units of capacity to support our customers' filling capacity expansions and product portfolio growth. Contractual terms and conditions are favorable. We have primed the supply chain by entering into multiyear contracts for equipment, next-gen coatings and metal supply. And of course, adhere to our EVA discipline in every facet of these preparations. Now we execute.

At present and despite 7 billion units plus of annual run rate capacity coming online, demand continues to outstrip supply across North America, South America and our EMEA business. Therefore, the timing and size of capacity additions coming online will influence quarterly year-over-year growth rates.

So let's not get distracted by any short-term data points. Simply put, this is a significant, multiyear growth story from a highly cash-generative company that has an established proven growth rate with the wherewithal and flexibility to invest more and return a lot of value to fellow shareholders along the journey. We are thankful to be able to add skilled manufacturing jobs in the U.S. and elsewhere to help the global economy recover.

As we look forward, to minimize start-up costs and provide our customers the best experience with Ball, execution will be key. I'm happy to report that our new lines in Fort Worth and Rome are running at speed; that our new Glendale, Arizona plant started up its initial line recently; and that incremental lines have already been installed in Glendale to support our customers' successful filling operation start-up located adjacent to our facility. Also in our new Pittston, Pennsylvania plant, preparations are being made to ramp up much needed capacity in the second half of 2021. In addition, we will be executing additional investments across our North American footprint, including construction of a new end manufacturing facility in Bowling Green, Kentucky, to align can and end availability. We anticipate the end facility coming online in 2022.

As we look out across our global plant network outside of the U.S., we announced this month our intention to open a new 2-line beverage can plant in the Czech Republic, and our new 2-line beverage can plant in Frutal, Brazil will supply additional cans to the fast-growing Brazilian can market in late 2021.

In North America beverage, full year and fourth quarter volumes were up 11% and 6%, respectively. Specialty mix improved to 34%. Going forward, we see volume growth greater than 6% over the next 3 to 5 years and continued growth in specialty, all supported by longer duration contracts.

In the fourth quarter, given the scale of new capacity coming online and labor to support them, start-up costs offset the benefit of improved volume and mix. In 2021, start-up costs will continue throughout the year, given the continued pace of growth and are expected to be North American-centric and in the range of \$50 million, with volume growth supported by new capacity, improved contractual terms and mix will more than be offsetting their impact.

We continue to prioritize growth opportunities in North America and look forward to discussing additional plans throughout 2021 and 2022. Despite the industry capacity coming online, we see the demand continuing to outstrip supply well into 2023, and depending on our customers' rate of capacity expansion, possibly beyond.

In EMEA, segment volume for the full year and fourth quarter was up 5% and 20%, respectively, and specialty mix increased to 54%. Across Ball's EMEA business, demand trends improved throughout the year, and positive momentum has continued into 2021. Additional capital projects completed across the region provided needed capacity, and we foresee European beverage can volumes up mid-single digits in 2021 and beyond.

Future growth will be supported by new categories utilizing cans and projects like the new Czech plant as well as other regional opportunities. Tight supply/demand continues, and we will assess all future opportunities through the lens of EVA.

In South America, full year and fourth quarter volumes were up 12% and 11%, respectively, driven by increased package mix for aluminum cans in the beer category, resulting in our specialty mix growing to 62%. Following a difficult second quarter, beverage cans have been very resilient, with store owners leveraging recyclable aluminum cans over other substrates and package mix on the shelf remains in the 60% range versus a rate of 50% at the end of first quarter 2020.

Similar to our prior commentary, we anticipate can growth in the mid to high teens and can mix on the shelf remaining high beyond 2020 and supported by investments like our new Frutal facility.

In summary, our global beverage team, now led by Ron Lewis, navigated a dynamic and challenging year through sheer will and controlling the things we can control. We also thank our teams in India, Saudi Arabia and global joint ventures for supporting our global regions and much-needed support during 2020 and beyond.

Sticking with global packaging. Our aluminum aerosol team did an amazing job during a challenging year. Earnings increased slightly despite a 3% decline in global volumes due to diminished use of deodorants and hair care products during global quarantines. The team pivoted to new categories, managed costs, integrated an acquisition and positioned our Infinity refillable, reclosable sustainability solution for personal care lotions and shampoos, now in plastics. And as John mentioned, our cups team continued to execute and prepare for an exciting 2021. Following the company's \$20 million plus investment to stand up the business, we expect our cups business to turn a profit starting in 2022.

Turning to aerospace. Full year and fourth quarter operating earnings improved 9% and 5%, respectively. Impressive results given a variety of inefficiencies brought about by operating the business during the current COVID environment, which I'm happy to address during Q&A.

Rest assured, there is no change in our ability to grow. Our team persevered and has not lost any momentum, winning new work and bringing on new talent to support our growth. We also executed on new infrastructure, won new study contracts, upgraded tools and systems and increased our unfunded backlog, 30% year-over-year. We continue to be very excited about the long-term prospects of this business as well. And on a personal note, I look forward to leveraging Dave Kaufman's extensive industry knowledge as we both assume our new roles.

Thank you again to all of our teams around the globe. Your leadership has been nothing short of remarkable. Keep it up and stay safe. It's going to be another amazing year. With that, I'll turn it over to Scott.

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

Thanks, Dan.

I'll focus my comments specifically on the fourth quarter and key metrics to keep in mind for 2021. Comparable fourth quarter 2020 diluted earnings per share were \$0.81 versus \$0.71 in 2019, an increase of 14%. Fourth quarter comparable diluted earnings per share reflects strong global beverage and aerospace segment results, a lower share count and lower interest expense, offset by higher corporate costs and start-up and labor costs, related to our new cups business and new U.S. beverage can facilities. Ball's balance sheet is very healthy with ample liquidity and flexibility in the current environment.

Taking into account the dynamic growth in our businesses and the necessary speed to market for ongoing initiatives, we invested \$1.1 billion in CapEx in 2020, while also returning \$275 million to our shareholders. All in, an excellent year. The business and balance sheet are strong. EVA dollars are growing. And we're ready for the next stair-step in growth.

As we sit here today, some additional key metrics to keep in mind for 2021. Our full year effective tax rate on comparable earnings will be in the range of 19%. Full year interest expense will be in the range of \$275 million, roughly flat with the past year. And full year corporate undistributed costs recorded in other non-reportable is expected to be in the range of \$80 million as we support our larger and growing businesses.

Our 2021 cash from operations will continue to grow, in line with the earnings trajectory. And longer term, we see a path to doubling our cash from operations by 2025. As we discussed at last year's Investor Day, we'll be investing even more growth CapEx to expand aerospace facilities, beverage can production capacity in North America, EMEA and South America, while also investing in our aluminum cups business. And currently expect 2021 CapEx to be in excess of \$1.5 billion. Beyond 2021, multi-year internal investments to serve organic growth and at returns well above our 9% after-tax rate will continue.

Ball continues to be good stewards of our cash and will prudently balance real-time growth opportunities, with consistent return of value to our shareholders. Given our growing operating cash flow, we're managing the business appropriately for the long term, investing capital with an eye on EVA returns, managing our balance sheet effectively and with the flexibility of returning even more value to our long-term shareholders in 2021 and beyond.

And 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 served us very well over the past decade and indeed in 2020, whether it be broadening our geographic expansion, developing new customers, markets and products and doing so with a commitment to being close to our customers and with uncompromising integrity. Ball continues to be uniquely positioned to lead and invest in sustainable growth while delivering significant value to our shareholders as we embark upon our 141st year in operation.

As we sit here today, our ability to grow comparable diluted earnings per share greater than our long-term goal of 10% to 15% and achieve or exceed our EVA dollar growth goals of 4% to 8% per year in 2021 and beyond is certainly our expectation. Our teams working together will do everything possible to outperform, work safely and execute on capital investments. Our time is now, and we are thankful to look at 2021 as a year of promise and great opportunity.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Neel Kumar with Morgan Stanley.

Neel Kumar - Morgan Stanley, Research Division - Equity Analyst

In North and Central America, if we just adjust out the \$25 million of start-up costs, margin and incremental sales were still a bit lower than what you've seen in prior quarters. Can you just provide some color on why the incremental margins were lighter this quarter? And then in general, can you just give us a sense of how we should think about the potential growth in North America earnings in 2021 based on the various moving pieces, like higher volumes, better contractual terms and higher start-up costs?

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

Sure. This is Scott. I'll take that. Yes. I mean if you look at the \$25 million of incremental cost, about half of that is start-up and about half of that is just increased labor to support the total growth in the business. If you look at it from that perspective, and then also, remember, we were importing quite a few cans in the fourth quarter, and the margins on those incremental cans from a mix standpoint aren't going to be as good as what you would normally get. So as we ramp up this capacity, we'll need to do that less. And so margins will improve. And the mix will improve over time, too, as most of the capacity we're putting in is specialty, so I would expect that.

And in 2021, the profitability will grow. But remember, I think we mentioned that there's probably \$50 million of start-up costs that we'll see in 2021 that will dampen those margins. You'll see most of that in the first half of the year as we ramp up these big facilities, Glendale and Pittston and start on Bowling Green as well. But I think long term, we're going to like these investments a lot because they've achieved much better than our 9% after-tax target.

Neel Kumar - Morgan Stanley, Research Division - Equity Analyst

Great. That's helpful. And then in Brazil, you talked about can shelf mix elevated at 60% versus 50% in the first quarter. Could you just give us a sense of like what one point of shelf mix going into cans means in terms of Brazilian demand? And you talked about achieving mid to high teens growth in the region, is that a Ball-specific comment or your general expectation of Brazilian demand?

Daniel William Fisher - Ball Corporation - President & Director

Yes. Good question. I think where it's trending right now, it's general demand in the market. So I'll give you a little color and characterization of why this is happening. Obviously, there's a huge incumbent in Brazil that has historically leaned a little bit more into returnable glass. And a series of competitors have come in, and they've done really well with different offerings, principally in the beer space, all in cans. And I think over the last 3 to 5 years, we've talked about and we've seen can penetration. I think the end consumer is kind of liking that. The grocery store and retail operators like that. They don't want to carry these returnable glass bottles. And so that influence has continued to grow, and I think the large incumbent is shifting as well to offer what the end consumer wants.

To characterize, I think what we were talking earlier this summer, when we had our Investor Day, we were characterizing growth. And we were thinking incremental lifts probably from the low 50s to the mid 50s in terms of can penetration. And so that delta versus a 60% to low 60%, it could be 4 billion to 5 billion cans in the next 3 to 5 years. That number that we quoted today in our prepared comments, that was in the third quarter, I believe it was like in the high 60s. And so we're operating now in kind of what could be a more normalized run rate. But given COVID and everything that's going on, we'll have to see how that meters out over the next quarters and years. But we're still bullish on incremental advancement. And even at 60%, you referenced that versus North

America where can penetration in the beer space is north of 70%. I think there's a real good opportunity to see that kind of get to 60%, hover at 60%, maybe even get to the upper ends there. But again, we'll have to follow that quarter-by-quarter.

Operator

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

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

Congrats on the progress in '20. I just wanted to ask about CapEx and I guess long-term growth. So you've guided to some increases here just given some of the recent announcements. Where do you see CapEx maybe in '23 and '24? Do you expect that to come down to maybe \$1.1 billion? And what do you see as your long-term maintenance CapEx with all these new facilities?

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

Yes. Maintenance CapEx, if you think about it per facility, I think a couple of million, \$2 million, \$3 million per facility, probably a year is a good number on the beverage side. We'll spend over \$1.5 billion this year. We have a lot of opportunities and really nice EVA-generating returns. I think we could be at an elevated level in '23 as well. And then my crystal ball is not that great. But I would see it's starting to moderate some, but I think we're going to be at elevated levels here for at least the next couple of years.

John A. Hayes - Ball Corporation - Chairman & CEO

Here's the beauty about our business. We have many levers to pull, and we can accelerate or even pull back depending on what happens in the market. We've looked at this over the last 25 years within our business and so what we see is an opportunity. And as we went into the COVID situation, we saw an opportunity to accelerate and that's exactly what we did. As you look out '23, '24, '25, and we see an opportunity to accelerate or decelerate that, we've got plenty of levers to pull. And so when you think about, historically, our maintenance CapEx had been in the range of \$275 million, \$300 million. It's creeping up, but it's not \$500 million. And so we have a lot of growth capital and anticipate going forward, but we can always dial it back if the market dictates.

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

That's a good point. And what I would also add is that we spent probably \$250 million more in 2020 than we had initially thought. And I look at that as really good because the faster we can get these assets up, the faster we can make cans and sell them at really nice margins.

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

Okay. And then also just wanted to ask real quickly on some of your markets outside of the U.S., have you seen any emerging trends that we've seen in the U.S. develop elsewhere, like seltzers or anything else in any category growth that you're excited about?

Daniel William Fisher - Ball Corporation - President & Director

No, that's a great question. It will be interesting to see how seltzer plays in Europe, you're starting to see it show up in the U.K. that's a heavy can market there. Where it translates into other parts of that region, it will be interesting to see how that manifests. And I think you'll see it in South America as well. And then it's just to what degree is it successful, we'll have to wait and see with the scanning data.

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

Yes. In addition to the new categories that Dan was just talking about, let's not forget about sustainability where can penetration in Europe is probably the lowest of any region around the world, certainly any major region around the world. And I talked in my prepared remarks about life cycle analysis and others. And you're going to see Ball Corporation put its shoulder really into getting the word out not only to customers and the consumers but also to NGOs and government officials because it indeed is the most sustainable package out there.

Operator

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

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

I guess first, I want to follow-up on one of the answers around imported cans in North America. I guess, first, could you maybe just give us a sense of how many cans you ended up importing this year? And second, if I heard you right, as you start to kind of, over the next couple of years, replace imported cans with domestically manufactured cans, is it fair to say that should give you some sort of margin uplift just on a mix benefit there?

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

Yes. I'll answer the second question first. And you referenced Scott's comment earlier, yes, it will. And so a couple of things are happening. I can give you kind of fourth quarter, we were in the 400 million to 500 million can range Ball specifically about what was imported. And keep in mind, we're working with customers that we want to work with for decades here, they're going to pay an exorbitant freight rate and things of that nature. We're working with our third-party JVs, et cetera. So we're trying to make this as comfortable as possible for them to get those cans on the shelf to continue to build the momentum with the can. So as Scott said, as this capacity comes online over the next couple of years, really we should see that kind of normalize, and you'll get back to a typical fall through 2x of volume growth on the leverage side.

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

Got it. That's helpful. And then maybe if I could ask one on the CapEx outlook from a different angle. I think you mentioned this year, you're doing a record \$1.5 billion, which is, call it, 2.5x the amount of CapEx you spent in 2019 and you referenced thousands of new hires. Can you maybe just talk about your ability to logistically manage all that? Have you needed to change any of your procedures or processes to just improve the bandwidth of managing all of these different processes efficiently?

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

Yes, absolutely, full stop. And we've been at this for 2 or 3 years, I would say, kind of when we started to lean in when we really started to see as we've referenced it several times, the new product introductions in North America as kind of a defining KPI for us relative to the big CPG companies leaning heavier into cans, the sustainability tailwinds that we're seeing. So I referenced it in my opening remarks. We've gone longer in terms of establishing supply agreements to make sure that capacity is there in the supply chain. We've also looked at where we've stubbed our toes candidly, historically in new plant start-ups, and a lot of that had to do with we didn't hire far enough advance. We didn't train folks. We didn't plan for elements of attrition. So we started hiring more engineers. We started hiring a lot more folks in talent acquisition and training capabilities. We've made a lot of investments there. So you're right. These are big investments, big plants. And I think we've changed how we've operated or thought about operating and starting up facilities. And hopefully, you'll see that in the improved benefits on our start-up curves.

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

And I think as it relates to capital, spending that much more than we used to spend, to Dan's point, on adding engineers, we've beefed up our capabilities to be able to do this. I mean you have to think differently as a growth company than we were 5, 6 years ago when we were growing. And so we've been investing in that over the past couple of years to reap these benefits. And so I think we're doing a much better job now than we were 1 year ago or 2 years ago in all of this.

Operator

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

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

With the capacity you're going to bring on this year in North America and perhaps maybe you're building a little more inventory, if you can, do you feel good about meeting all demand this year in North America? Since last year, you kind of had to walk away from some business.

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

Great question. So the building inventory, that's a bit of a dream scenario right now. We're not anywhere near that. And we might not be for next couple of years. We're going to be living hand-to-mouth, and we're heavily reliant on standing up capacity to meet our customer requirements. We will be servicing the excess demand similar to kind of how it showed up in the fourth quarter. Where we can find cans anywhere in our network around the world, we will be shipping in to make sure that our customers can lean into their new product launches and other things that will help grow the can long term. And again, this is, in my prepared remarks, I really leaned into this is not a quarter-to-quarter way we're looking at this. This is multi-year, significant growth, and we want to make sure that we give our customers what they need, when they need it right now to continue to lean into the can and continue to grow the can.

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

Yes. And Phil, that's one of the reasons why we spent more in even 2020 than we were anticipated, and that's why it's even that much more elevated in 2021 because as we sit here right now, to Dan's point, we are scrambling to service our customers. And we don't see that changing, and that's why we're putting our foot to the pedal to make sure that we're not leaving our customers short.

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

Got it. That's a really exciting backdrop to be in. You gave some color on start-up costs being about \$50 million. Where did it kind of settle out in 2020? And then obviously, we're seeing a little more inflation across the board. Want to get some comfort and color on your ability to kind of manage that and how you're set up from a pass-through standpoint. I know '18 was a little tougher, but I think your contract is a little more favorable in terms of managing freight and stuff of that nature. So can you kind of unpack, those 2 components?

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

Yes. The start-up was about half that in 2020, but then you have an increased labor base, too. Remember, our business is growing, not just with the start-ups, but we're backfilling a lot of jobs. So we're adding to the labor base. So year-over-year in the fourth quarter, that was up \$13 million, \$14 million. So we're trying to keep up and being prepared to be able to handle all this growth.

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

And I think relative to inflation, yes, I think we're in a much better space than we were kind of at the initializing the Rexam acquisition in terms of what we've been building in terms of our contracts, terms and conditions. So yes, we're keenly aware of what's happening in the world relative to freight rates. And I think we're pretty well protected kind of across the board.

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

Okay. Super helpful. And just one last quick one for me. The \$40 billion of growth that you've kind of mentioned through 2025, and you reiterated that today. How much of that's secured contractually? And then any color on the shape of the ramp of the next few years?

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

Yes. I would say I've got a better line of sight into probably 2023. We just finished our strategic planning process here, and we've taken it out. And overwhelmingly, we're contracted on that \$25 billion through 2023.

Operator

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

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

I wanted to go back to the CapEx question from earlier. At the Analyst Day, which was just 4 months ago, you highlighted \$5-plus billion of cumulative CapEx between 2020 and 2025. And so I'm just curious, is the uptick in 2021, at this point, reflective of just timing relative to the 5-plus billion number? Or should we expect total CapEx through '25 to be well above that? And then you also put it towards \$700 million of incremental EBIT through 2023. Is that still the right number to look at? Or would it be higher, given the acceleration in 2021 CapEx?

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

No. On the CapEx, I think a lot of it is just, to Dan's point, it's solidifying those contractual relationships with our customers that solidify our belief that the volume is going to be there. And so it's putting capacity in to meet those needs. So I wouldn't say it's dramatically different other than things are pulling forward probably from where we were before.

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

And \$700 million of EBIT?

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

\$700 million, yes, that still should be a good number. Because remember, when you start-up a plant, you have a ramp-up curve. And so it's going to take some time for that ramp-up curve to execute on and get to kind of a full run rate. And so when you put something in the ground today, especially with the new plant. If you're adding an incremental line, you get there a lot faster. Obviously, like Fort Worth and Rome where we added lines last year, you move up that ramp-up curve much quicker. When you're doing something new, where you got a new workforce that hasn't made cans before, it's going to take a little bit more time to kind of get the top returns out of those out

of those investments. So things that will start in 2021, get better in 2022 and '23. And so there's kind of a compounding effect as you move forward out beyond '23, too, for all this capital.

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

Ghansham, this is John. Let me answer your question a different way. And the question is, what has changed since the Investor Day? Nothing has changed other than we have greater conviction than what we talked about 4 months ago. And so what you're seeing is an acceleration of capital to take advantage of that. And to Dan's point is I wish I could tell you what 2024 looks like. I can't. It's too far out there. But these trends are the strongest I've seen in my 20-plus years at Ball Corporation by far.

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

I was asking about the chemical industry and, CapEx being allocated towards chemical recycling and trying to replicate a circular economy dynamic similar to aluminum. There's also several bioresin alternatives being commercialized. And many CPG customers are very public with their interest in recycled plastics. So as you kind of reconcile all of that, how do you sort of think about those variables as it relates to the growth?

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

Yes. It's a great question. Here's how I'd reconcile it. Let's not forget that the aluminum container is the only container in a recycling stream that has economic value as we sit here today. You add on chemical recycling to plastic, you're just adding cost onto that. Many of our customers, we recognize that they have profit pools within the plastic industry and they're candidly trying to protect that. I would, too. I completely understand where they're coming from. But the brutal reality is when you think about the amount of actually even usable recycled material in plastic, it's still in the single digits. Will chemical recycling change that? Yes, it could, but not on a wholesale basis because there's costs involved in doing that. And furthermore, it's not going to fundamentally change that we have a single-use plastic problem in the world, full stop. And when you have recycling rates of beverage cans above 70%, and we have publicly stated goals to try and get them as an industry above 90%, that means that you're not having any substantial product of aluminum going into landfills and otherwise polluting the environment, I think it's a tall putt as we sit here right now to think about plastic and even get close to what we've already been achieving.

Operator

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

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

John, you indicated I think COVID lockdowns haven't, for the most part, negatively impacted global growth. I'm just wondering, as you look at the last 12 months, do you have any thought or concern that the very strong demand that you and your customers have seen has been boosted by at-home consumption that might roll off to some extent, hopefully, as COVID becomes less of an issue? Or just any kind of thoughts you can give on that kind of at-home versus on-premise dynamic over the last year.

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

A great question, and my comments will be more qualitative because I can't point to specific data. But we've been spending much more time at home. And I think the consumer at large, and we have done some research on that, is much more aware of the waste that we are creating because we have to throw it in our garbage cans every day. We're no longer, as we sit here today, as much of an on-the-go society than we were, and we didn't worry about that. So that's one data point that's important to point out.

The other one is kind of the on-premise, off-premise. Because the off-premise has benefited at the expense of the on-premise. But our conversations with the on-premise suggest that when we go back, the question is, for example, in beer, how much draft is going to be there when you have

glasses sitting there, and people are going to have concerns about the sanitization thereof. And so what we've been hearing is that a lot of the on-premise is looking to go to much more single-use beverages, meaning cans and bottles.

And so I don't know, Dan, if you have anything else to add, but those are 2 big data points we've been focused on.

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

Yes. I think one thing, and I think John touched on this. I don't know what the size of the flex work, work-life balance has shifted in terms of a permanent shift, but that's a very real thing. And we're dealing with it here. I mean we're a company that 80%, 90% of our folks come to work historically before this happened, and we've all realized that we can do our jobs from anywhere with technology. And if you're doing those from home or you're doing those from your apartment or your studio, you're going to be drinking packaged goods. So the can will benefit, and that will be here for quite some time.

I think the other thing that we're paying close attention to, and it probably goes without saying, but I'll restate it here, the market is incredibly tight. As a result of that, we know a number of our customers are limiting their innovation releases in cans. So yes, there's been a lot of new products that have come on to the market. They've overwhelmingly been in cans, but there have been an awful lot of other products because they can't find cans that haven't been released. And so even if there's going to be a shift in terms of consumption patterns and volume and folks do go back to bars, we understand that, that's going to happen. I think there's still an awful lot of pent-up demand and innovation that is going to, hopefully, offset that. And in aggregate, when we look at that, again this is why we think what we said at our Investor Day, we're there or thereabouts or potentially even better, depending on what happens with these end-consumer behavior patterns coming out of COVID.

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

Okay. That's very helpful. And maybe just following up on that comment on innovation. There were a few trials of still water in cans slated for last year. They got a lot of attention before COVID kind of disrupted everything. Is it possible to talk about how the can is doing with still water? Is that something that's been maybe pushed back or maybe capacity constrained with fewer cans available? Just any kind of broad comments on that opportunity.

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

Sure. The products that were in existence are doing well. I mean double-digit growth coming off of a low base. The issue, as you said, has a lot more to do with the retailers, they've consistently, quarter-over-quarter, pushed off adopting new products just to manage the accelerated velocity and all the other products that are on their shelves and making sure those supply chains are robust. So we're still having very positive conversations, and we look forward to when we get out of this COVID environment that you'll see a lot of those innovations coming online and some fairly significant, well-recognizable brands.

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

And to Dan's point, we are capacity constrained right now. So if you're a still water company thinking about going into cans, it's very tight. That's one of the reasons why we've been accelerating our investments to kind of free up some capacity to really kind of push those things because right now, the reality is we don't have the cans to supply those people that are looking to go into it.

Operator

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

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

I wanted to go back through the question on start-up costs. Maybe look at a slightly different angle. I know you're looking forward to the question. And really projected out into cash flow for next year to the extent that we can comment for '22. So over the last few quarters, we've talked about start-up costs. You've talked about being able to lessen their effect as you've had this high-class problem of trying to build in capacity. What do you do from here to lessen the effect? Or should we really bake in a \$50 million ongoing start-up cost every year, given the degree to which capacity is growing? And given the CapEx ramp this year, should we not expect an accelerated pickup in operating cash flow because you start to get the return on that in 2022? How would you comment to those points, guys?

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

No, I think you're exactly right, George. We'll see the acceleration in operating cash flow. We will have significant start-up in '21 because we're starting with 2/2.5 with Bowling Green, large facilities. So the start-up costs will be elevated when we're doing greenfield facilities. Really in North America, the costs become less. The Czech Republic launch will be less because the labor is a heck of a lot less, and South America is a lot less with Frutal. That will be less because the labor base just isn't as expensive.

And to Dan's point, we found through previous start-ups, bringing these people in earlier, getting them trained, having redundancy is really important to make sure that then you kind of hit your start-up curve. So I would say that will be elevated with greenfield facilities in North America, but you're still going to get more than that benefit through the growth in operating cash flow and earnings as these things ramp up.

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

Perhaps strategically, another way to think about it, Dan referenced it earlier, in our business at large, and I'm talking more about the beverage can side of the business. But for every 1 percentage point increase in volume, over time, strategically, we ought to get a 2x flow through on the margin side of that. So Dan said we're going to be low double digits. So call it, just for discussion, let's just call it 10%. That ought to say, in a perfect world, we ought to have a 20% operating earnings growth. But that's in a perfect world. Then we have the start-up costs. So reduce the start-up cost from that, I think that's a good basis by which to strategically think about this.

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

Next question I had, there's been a couple of questions on innovation. One, are you seeing any sign of exhaustion? Like I'm guessing the answer is going to be no, but from your consumer studies, any exhaustion on the whole spiked seltzer category? And as you bring on this next wave of cans, are we going to see just more new flavored spiked seltzers? Or are there other categories, to the extent that you can comment, that will perpetuate the innovation angle? How would you think about that? How would you have us think about that?

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

Yes, it's a great question, and we touched on this in a little detail at the Investor Day. So if I go back to how I was characterizing or how we were thinking about it, we look at alcohol innovation. So spiked seltzer's a part of that. And we know there's all sorts of innovation that's happening in that space. Do we think spiked seltzers are going to continue to grow at 200%? No. There is a spot where we think it gets to, and many people have referenced kind of light beer market share, kind of in that range. Okay. Maybe. But George, we've talked about this a number of times. We're still incredibly bullish on the alcohol space on the fact that spirits are shifting into cans, which was unheard of for a decade plus. And so the more innovation that's showing up into cans in the alcohol space, I don't know what we're going to call it, spiked seltzer or something else. But I think you'll continue to see new innovation coming out in cans, and that should benefit us.

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

Yes. Just to top, think about the teas, the spiked teas that I think you're going to see a big surge of those in 2021. Is that a spiked seltzer or not? I think that's Dan's point. It doesn't matter. It's in the alcohol space and it's innovation in the can.

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

Understood. My last one, and I'll turn it over we haven't seen that many capacity announcements for Southeast Asia, even though given our work, that market also looks to be pretty tight. What would you have us take away on Ball's view of that region and its attractiveness? And if you keep running to South America at 10% to 15% capacity, given our work, you're going to need another can plant there pretty soon. I know that's been the narrative this whole call, you're out of capacity. But how would you have us think about the prospects for a next plant in South America?

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

Yes. George, you just said South America, but I think you mean Southeast Asia?

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

Both.

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

Yes, both.

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

I put them together, 2 for 1 there, John.

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

Well, to be honest, it's a bit of an apple and a pear for Ball Corporation. As you know, we're very big in South America. We're not all that big in Southeast Asia. I think our ability to grow, in some ways, limited by our resources. And it's not just the capital, it's the people, all the things that Dan has done a great job and really redefining our processes and reimagining to the onboarding of people, to the capital equipment and everything in between. So it gets down to a prioritization issue. And we see the returns in the places where we have the greatest leverage, which is North and Central America, EMEA and South America to be greater than Southeast Asia. Does that mean we're not looking at Southeast Asia? No, of course not. But we have partners in Southeast Asia, and we just think the greatest bang for the buck for us as shareholders is doing what we're currently doing right now.

Operator

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

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

I wondered, first, Dan, if we could just talk about what drove that 20% volume growth in Northern Europe in the fourth quarter? And if we're seeing an acceleration in growth in Europe, whether there's an opportunity to start to improve some of the European contracts in the way that you've done in North America over the last few years?

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

Yes, thanks for that question. Let me characterize the fourth quarter. And these aren't misprints. I referenced these a couple of times, I think. In the U.K., we saw growth for the can of 17% in the fourth quarter. In Germany, we saw 17%. Spain, 15%; Italy, 13%; we even saw 10% growth in France and Russia continues to be kind of north of 15%. So it's really everywhere. I think you asked about Northern Europe, but it's everywhere in Europe. The million-dollar question, the million-dollar EVA question that you asked is what's happening in Europe, which is different than North America and South America, North America and South America got a lot tighter, a lot faster over the last 18 months. And we're starting to see that in Europe right now. And that's sort of what you need in order to reevaluate the landscape of your contracts. I will tell you at the gross profit line, we do really well in Europe. So I think it may be as much to do with tightening the terms and conditions, like we have had the opportunity to do with in other parts of the world. But it's certainly something we're focused on and engaged with, with our team there. And we're kind of at the precipice of having a market that looks similar to the other regions in terms of how tight it is to potentially be able to influence, so I don't know if that helps.

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

That helps a lot, Dan. I wondered just toggling back to Brazil for just a second. From my trips on there, it seemed like most of the can market in Brazil is beer. We look here in North America, about 60% of the can market is nonalcohol. What's the opportunity in Brazil and Latin America more broadly to move the nonalcoholic beverage market more toward cans?

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

Yes. It's a great question. I think in Brazil, particularly, you're dealing with tax structures and the longevity of what the folks that you would expect to see significant shifts or a more normalized package mix, a lot of it just has to do with where they make their money and the profit pools associated with that. Having said that, sustainability is becoming more and more something that all of the countries in South America are concerned about. And that will continue to build and put pressure on helping to make that shift. I think we need a combination of a more neutral tax structure on the different disparate profit pools, coupled with sustainability trends to continue to improve.

The one thing that's incredibly bullish, though, is, as you said, the overwhelming beverage market for cans is in beer, and that pack mix continues to shift to cans. And a lot of new innovation is coming out in the alcohol market in cans as well. So not too dissimilar to what you've seen in the last decade, North America, more recent from an innovation standpoint. So even if CSD, for instance, doesn't shift, we're in a really good growth space for the next 5 years plus.

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

Okay. Last one for me. Just briefly on can sheet. I wondered if you can talk about what you're doing with suppliers to ensure a supply of can sheet? And whether you're doing this more on a regional basis that might be a little more amendable to kind of developing circular recycling structures?

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

Yes, it's a great question. I mean, again, similar to a number of data points, where we saw this kind of tailwind and growth trajectory several years ago. And learned through difficult times with the previous administration and tariffs that we needed a more robust and a more global surety of

supply/supply chain as it relates to rolling mills. We have north of 20 different contracts around the world with mills. And so we're in a good spot. It may not be localized exactly where we want it, depending on performance of all the mills, but we have access to metal, which is the most important thing right now. And all the conversations we're having with the supply base, to your point, it's get it where we're making the cans, get it close to the facilities, get it close to where the recycling and scrap stream is because all of that is going to enable us to step into all these tremendous attributes of the can. We need it local. We want it to be circular. And I think we'll start to see some more investment in North America, in particular, as it relates to that.

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

Dmitra, maybe we'll take one more question.

Operator

Certainly. Our last question comes from the line of Kyle White with Deutsche Bank.

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

I just want to follow-up quickly on Mark's. The regional growth in EMEA is tremendous, but can you dig a bit more into what beverage categories drove this? And why did we all suddenly see this level of growth in 4Q and not necessarily 3Q or even 2Q?

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

Well, don't underestimate. There's still a bunch of countries over there. It's not just Europe. And COVID certainly had impacts on the freight side and what channels were open, et cetera. So I think 4Q was a more normalized consumption behavior pattern, number one. And I would say the U.K. CSD and beer grew. But when you talk about Italy, Spain, Russia, that's heavy beer, and heavy beer growth. And then the rest of the market it's overwhelming beer, but in some spots like the U.K., you saw nice growth in other categories.

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

Got it. And then just one question, last question here. I wanted to shift gears, your favorite question on aerospace. Sales are approaching \$2 billion here now. Backlog is strong. So just kind of wondering how you view that business in terms of its fit within the Ball portfolio and whether you think it has a large enough base to be a stand-alone business?

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

It's growing very strongly. It's a great business, and we always look at those types of things. We will always be looking to maximize the value to Ball Corporation shareholders. And let's not forget that the management and the Board of our company own well over \$1 billion of Ball Corporation stock, actually, a couple of billion dollars. So as a result, we're focused on how to maximize the long-term value of our company. And if that means keeping it together, great. If that means there's a better way to play it, great. But as we see right now, we've got 3 different businesses, the beverage can business, aluminum aerosol business, aerospace business and soon-to-be a cups business that we all think are great. They're growing. And we have more opportunities right now than I've ever seen in my life at Ball.

Dmitra, I think we're all finished.

So I want to thank everyone for your participation. Stay safe. Be well. And we look forward to talking to you in a few months. Take care.

Operator

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

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