



Amcor plc (AMCR)

Updated December 12th, 2020 by Felix Martinez

Key Metrics

Current Price:	\$11	5 Year CAGR Estimate:	7.1%	Market Cap:	\$18.3B
Fair Value Price:	\$11	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	11/23/20
% Fair Value:	107%	5 Year Valuation Multiple Estimate:	-1.4%	Dividend Payment Date:	12/15/20
Dividend Yield:	4.1%	5 Year Price Target	\$14	Years Of Dividend Growth:	1
Dividend Risk Score:	D	Retirement Suitability Score:	D	Last Dividend Increase:	2.2%

Overview & Current Events

Amcor plc is one of the world's largest designers and manufacturers of packaging for food, pharmaceutical, medical, and other consumer products. The Company emphasizes making responsible packaging that is lightweight, recyclable, and reusable. The Amcor plc that trades on the NYSE today was formed in June 2019 with the merger between two packaging companies, U.S.-based Bemis Co. Inc. and Australia-based Amcor Ltd. Amcor plc's current headquarters is in Bristol, U.K. Amcor currently trades with a market capitalization of \$18.3 billion.

Amcor reported its first-quarter earnings for Full Year (FY)2021 on November 05, 2020. Sales were up 1.4% for the quarter from \$3,097 million to \$3,141 million. Net income, however, was down by (66)% for the quarter. This decrease in net income was due to an increase in the cost of sales and in expenses like general and administrative. The Company reported adjusted EPS of 0.16 cents per share, up 18% Year over Year (YoY). Free cash flow was down (10)% YoY. Management also mentioned that the Board of Directors has approved a \$150 million buy-back and expects to complete it by the end of the Fiscal year 2021. The board of directors also approved a dividend of \$0.1175 a share, which is an increase of 2.2% from the last dividend.

COVID-19 pandemic has not affected the Company as all 250 plants worldwide had minimal disruption and have not experienced significant business continuity issues. Amcor's operations have been recognized as 'essential' by governments and authorities worldwide, given its role in the supply chains for critical food and healthcare products. Management provided an outlook for Fiscal Year (FY)2021 that will see an EPS growth of 7%-12%, which was previously 5%-10%. Management also expects adjusted free cash flow of approximately \$1.0 to \$1.1 billion, before dividends. Thus, we will raise our adjusted EPS estimate from \$0.70 a share to now \$0.71 a share for FY2021.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	---	---	---	---	---	---	---	---	\$0.62	\$0.64	\$0.71	\$0.91
DPS	---	---	---	---	---	---	---	---	\$0.23	\$0.46	\$0.47	\$0.52
Shares¹	---	---	---	---	---	---	---	---	1624.5	1600.0	1600.0	1525.0

Amcor plc is a new company, so there isn't any long-term growth data to examine. However, we get a sense of where this company may be headed by looking at the histories of Bemis Co. Inc. and Amcor Ltd. Many analysts considered Bemis a consistent and stable dividend stock, and for a while, the company itself sat among the Dividend Aristocrats. During the last five years of its operations as a public company, Bemis had an annual dividend yield north of 3%. Bemis focused on flexible packaging for food and pharmaceutical uses. Its largest market was the U.S., followed by Latin America, and a restructuring effort in 2017 led to increased efficiency. From 2017 to 2018, Bemis saw increased net income, from \$94 million to \$225.7 million.

¹ In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Of course, past performance is in no way indicative of future results. But we predict that Amcor will continue to see some growth in its markets. Latin America, in particular, should continue to see continued demand for packaging products. We are projecting 5% growth annually over the next five years, which gives us an estimated EPS of \$0.91 for FY2026.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	---	---	---	---	---	---	---	---	18.7	15.9	16.1	15.0
Avg. Yld.	---	---	---	---	---	---	---	---	2.1%	4.6%	4.1%	3.8%

Amcor is currently above its fair value. That doesn't make for a great buy now, but we think there's plenty of potential for growth and a more favorable future valuation. The current dividend yield is attractive compared to the broader market, but the payout ratio is high. Again, since we don't have historical data to value Amcor reasonably, we'll have to wait a few more quarters to reevaluate Amcor's performance and see if it will continue to grow its dividend. Thus, we have a forward dividend growth of 2%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	---	---	---	---	---	---	---	---	37.1%	71.9%	66%	57%

Amcor Plc was created from two sturdy dividend payers, so we see no reason why that trend shouldn't continue.

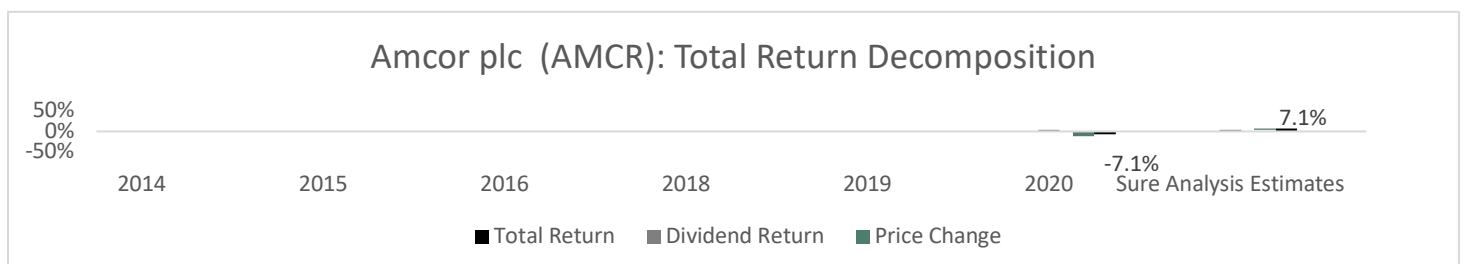
Although Amcor's headquarters are in Great Britain, its largest markets are in the Americas. That means Amcor should be relatively safe from potential future declines to the pound (or to the Australian dollar, for that matter).

Although we like to imagine a society where there is zero waste, people worldwide will continue to need packaging in reality. Amcor's emphasis on recyclable and reusable products should appeal to more conscious end-users, while the merger with Bemis brings it huge prospects in developing markets. Plus, with the merger into one gigantic manufacturing entity, Amcor has increased the ability to negotiate better costs from its suppliers. This should make Amcor an unstoppable force in the packaging industry. The company balance sheet looks to be stable with a created rating of BBB. The company has a current debt to equity ratio of 1.5, which is an improvement from the last report of debt to equity ratio of 2.

Final Thoughts & Recommendation

There's plenty to like about the prospect of Amcor. The company is based on two strong manufacturing companies, each with growth potential, especially in developing markets. The company looks well-positioned going forward; however, we estimate an 7.1% annual return for the next five years at the current price. Thus, we rate Amcor a Hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue						9474	9092	9319	9458	12468
Gross Profit						2006	1910	1857	1799	2536
Gross Margin						21.2%	21.0%	19.9%	19.0%	20.3%
SG&A Exp.						1469	999	793	999	1385
D&A Exp.								353	446	652
Operating Profit						469	842	1034	923	1109
Op. Margin						5.0%	9.3%	11.1%	9.8%	8.9%
Net Profit						245	596	575	430	612
Net Margin						2.6%	6.6%	6.2%	4.5%	4.9%
Free Cash Flow								506	444	985
Income Tax						242	214	119	172	187

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets						8731	9074	8992	17165	16442
Cash & Equivalents						519	561	617	602	743
Acc. Receivable						1187	1115	1029	1864	1616
Inventories						1251	1304	1351	1954	1832
Goodwill & Int.						2114	2407	2373	7463	7334
Total Liabilities						7881	8184	7908	11490	11755
Accounts Payable						2432	2576	2591	2303	2171
Long-Term Debt						4356	4597	4459	6103	6235
Total Equity						788	821	1015	5609	4626
D/E Ratio						5.53	5.6	4.39	1.09	1.35

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets						2.8%	6.7%	6.4%	3.3%	3.6%
Return on Equity						21.8%	74.1%	62.6%	13.0%	12.0%
ROIC						4.7%	11.2%	10.4%	5.0%	5.4%
Shares Out.						1179.0	1168.3	1157.1	1624.5	1600.0
Revenue/Share						8.04	7.78	8.05	8.00	7.79
FCF/Share								0.44	0.38	0.62

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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