



Amcor plc (AMCR)

Updated March 17th, 2021 by Felix Martinez

Key Metrics

| | | | | | |
|-----------------------------|------|--|-------|----------------------------------|-----------------------|
| Current Price: | \$12 | 5 Year CAGR Estimate: | 7.4% | Market Cap: | \$18.9 B |
| Fair Value Price: | \$11 | 5 Year Growth Estimate: | 5.0% | Ex-Dividend Date: | 05/27/21 ¹ |
| % Fair Value: | 105% | 5 Year Valuation Multiple Estimate: | -1.0% | Dividend Payment Date: | 06/17/21 |
| 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 \$18.9 billion.

Amcor reported its second quarter and first-half earnings for Full Year (FY) 2021 on February 02, 2021. Sales were up 2% for the quarter from \$3,043 million to \$3,103 million. Net income, however, was up 18% for the quarter, which is considerable. This sizeable increase in net income for the quarter is due to an increase in gross profit which is up 5.5%. For the first half of FY2021, sales are up slightly by 0.3%, compared to the first half of FY2020. However, net income is up 65% for the first six months. The Company experienced low to mid-single-digit sales growth in all regions. They also saw an increase in volume in meat, snack food, cheese, and frozen food. In addition, new innovative product launches for new and existing customers in the food, personal care, medical and beverage markets. This will help to continue growth in total sales.

Management provided an outlook for Fiscal Year (FY)2021 that will see an EPS growth of 10%-14%, 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 estimates from \$0.71 to now \$0.73 a share for FY2021. This represents an increase of 2.8% since our last report.

Growth on a Per-Share Basis

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2026 |
|---------------------------|------|------|------|------|------|------|------|------|--------|--------|---------------|---------------|
| EPS | --- | --- | --- | --- | --- | --- | --- | --- | \$0.62 | \$0.64 | \$0.73 | \$0.93 |
| DPS | --- | --- | --- | --- | --- | --- | --- | --- | \$0.23 | \$0.46 | \$0.47 | \$0.52 |
| Shares² | --- | --- | --- | --- | --- | --- | --- | --- | 1182.0 | 1601.0 | 1575.0 | 1575.0 |

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 Bemis Co. Inc. and Amcor Ltd's histories. 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 Ex-Dividend and Dividend Payment Date are estimates

² 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 \$0.93 for FY2026.

Valuation Analysis

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Now | 2026 |
|-----------|------|------|------|------|------|------|------|------|------|------|------|------|
| Avg. P/E | --- | --- | --- | --- | --- | --- | --- | --- | 18.7 | 15.9 | 15.8 | 15.0 |
| Avg. Yld. | --- | --- | --- | --- | --- | --- | --- | --- | 2.1% | 4.6% | 4.1% | 3.7% |

Amcor is currently above its fair value. That does not make for a great buy now, but we think there is 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 do not have historical data to value Amcor reasonably, we will 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% | 64% | 56% |

Amcor Plc was created from two sturdy dividend payers, so we see no reason why that trend should not 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. 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's 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 is 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 7.4% 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.

Disclaimer

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