



# Amcor plc (AMCR)

Updated July 24<sup>th</sup>, 2021 by Felix Martinez

## Key Metrics

<b>Current Price:</b>	\$11	<b>5 Year CAGR Estimate:</b>	8.1%	<b>Market Cap:</b>	\$17.5 B
<b>Fair Value Price:</b>	\$11	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	09/02/21 <sup>1</sup>
<b>% Fair Value:</b>	102%	<b>5 Year Valuation Multiple Estimate:</b>	-0.4%	<b>Dividend Payment Date:</b>	09/23/21
<b>Dividend Yield:</b>	4.1%	<b>5 Year Price Target</b>	\$14	<b>Years Of Dividend Growth:</b>	1
<b>Dividend Risk Score:</b>	F	<b>Retirement Suitability Score:</b>	C	<b>Last Dividend Increase:</b>	2.2%

## Overview & Current Events

Amcor plc is one of the world's most prominent 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 \$17.5 billion.

Amcor reported its third-quarter results for Full Year (FY)2021 on May 4, 2021. Sales were up 2.1% for the quarter from \$3,141 million to \$3,207 million. Net income, however, was up 47% for the quarter, which is substantial. This sizeable increase in net income for the quarter is due to the rise in gross profit, up to 4.6%, and operating income is up 37.6%. For the nine months of FY2021, sales are up slightly by 0.9%, compared to the first nine months of FY2020. Sales growth was driven up by volume. However, net income is up 57% for the first nine months. In addition, The Company has introduced 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 14%-15%, which was previously 10%-14% in the last quarterly report. Management also expects an adjusted free cash flow of approximately \$1.0 to \$1.1 billion before dividends.

Thus, we will raise our adjusted EPS estimates from \$0.73 a share to \$0.74 a share for FY2021. This represents an increase of 1.4% since our last report.

## Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
<b>EPS</b>	---	---	---	---	---	---	---	---	\$0.62	\$0.64	<b>\$0.74</b>	<b>\$0.94</b>
<b>DPS</b>	---	---	---	---	---	---	---	---	\$0.23	\$0.46	<b>\$0.47</b>	<b>\$0.52</b>
<b>Shares<sup>2</sup></b>	---	---	---	---	---	---	---	---	1182.0	1601.0	<b>1575.0</b>	<b>1575.0</b>

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

<sup>1</sup> Ex-Dividend and Dividend Payment Date are estimates

<sup>2</sup> 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.*



# Amcor plc (AMCR)

Updated July 24<sup>th</sup>, 2021 by Felix Martinez

restructuring effort in 2017 led to increased efficiency. From 2017 to 2018, Bemis saw increased net income, from \$94 million to \$225.7 million.

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, giving us an estimated \$0.94 for FY2026.

## Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	---	---	---	---	---	---	---	---	18.7	15.9	15.3	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 buying opportunity right 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%	55%

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

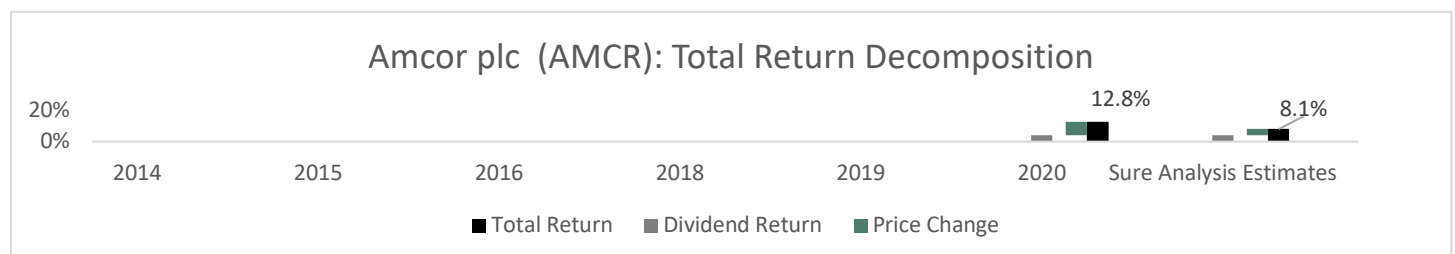
Although Amcor's headquarters are in Great Britain, its largest markets are in the Americas. That means Amcor should be relatively safe from potential future declines to the pound (or to the Australian dollar, for that matter).

Although we like to imagine a society with 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 a 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 8.1% annual return for the next five years at the current price. Thus, we rate Amcor a Hold.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)



# Amcor plc (AMCR)

Updated July 24<sup>th</sup>, 2021 by Felix Martinez

## Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	13266	12478	11339	10218	9599	9474	9092	9319	9458	12468
Gross Profit	2270	2113	2004	1930	1930	2006	1910	1857	1799	2536
Gross Margin	17.1%	16.9%	17.7%	18.9%	20.1%	21.2%	21.0%	19.9%	19.0%	20.3%
SG&A Exp.	1668	1431	1210	890	961	1469	999	793	999	1385
D&A Exp.								353	446	652
Operating Profit	502	612	734	968	906	469	842	1034	923	1109
Op. Margin	3.8%	4.9%	6.5%	9.5%	9.4%	5.0%	9.3%	11.1%	9.8%	8.9%
Net Profit	381	422	548	532	679	245	596	575	430	612
Net Margin	2.9%	3.4%	4.8%	5.2%	7.1%	2.6%	6.6%	6.2%	4.5%	4.9%
Free Cash Flow								506	444	985
Income Tax	231	270	205	76	188	242	214	119	172	187

## Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	11676	11600	11336	9130	8536	8731	9074	8992	17165	16442
Cash & Equivalents	240	366	360	509	704	519	561	617	602	743
Acc. Receivable	1488	1463	1467	1223	1192	1187	1115	1029	1864	1616
Inventories	1693	1703	1656	1328	1212	1251	1304	1351	1954	1832
Goodwill & Int.	2011	2046	2100	1995	1843	2114	2407	2373	7463	7334
Total Liabilities	7669	8141	7958	6992	6951	7881	8184	7908	11490	11755
Accounts Payable	1973	1995	1996	1786	2343	2432	2576	2591	2303	2171
Long-Term Debt	3640	3993	3971	3513	3575	4356	4597	4459	6103	6235
Total Equity	3942	3368	3292	2029	1464	788	821	1015	5609	4626
D/E Ratio	0.92	1.19	1.21	1.73	2.44	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	3.6%	3.6%	4.8%	5.2%	7.7%	2.8%	6.7%	6.4%	3.3%	3.6%
Return on Equity	10.3%	11.6%	16.5%	20.0%	38.9%	21.8%	74.1%	62.6%	13.0%	12.0%
ROIC	5.5%	5.6%	7.4%	8.2%	12.6%	4.7%	11.2%	10.4%	5.0%	5.4%
Shares Out.									1182.0	1601.0
Revenue/Share	10.67	10.13	9.25	8.32	7.83	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

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.