



Amcor plc (AMCR)

Updated November 22nd, 2021 by Felix Martinez

Key Metrics

Current Price:	\$12	5 Year CAGR Estimate:	8.3%	Market Cap:	\$18.3 B
Fair Value Price:	\$12	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	3/3/22 ¹
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	0.1%	Dividend Payment Date:	3/24/22
Dividend Yield:	4.0%	5 Year Price Target	\$15	Years Of Dividend Growth:	1
Dividend Risk Score:	D	Retirement Suitability Score:	C	Last Dividend Increase:	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. Today, the Amcor plc that trades on the NYSE 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 in Bristol, U.K. Amcor currently trades with a market capitalization of \$18.3 billion.

Amcor reported its first-quarter results for Fiscal Year (FY)2022 on November 2, 2021. Sales were up 10% for the quarter compared to the first quarter of FY2020. Sales went from \$3,097 million in 1Q2020 to \$3.420 billion this quarter with 9% driven by price increases of approximately \$285 million related to the pass-through of higher raw material costs. Net income was also up by 10% versus the first quarter of the last fiscal year, which is considerable. This sizeable increase in net income year over year is due to price increase as volume was about the same. Adjusted free cash flow was \$242 million compared with an outflow of \$190 million last year. The higher use of cash was mainly driven by higher raw material costs on working capital. Throughout the year, Amcor returned strong cash returns to shareholders. Amcor repurchased approximately 5.2 million shares, about 0.3% of outstanding shares.

Management provided an outlook for the rest of Fiscal Year (FY)2022, and they see an EPS growth of 7%-11%. Management also expects an adjusted free cash flow of approximately \$1.1 to \$1.2 billion before dividends.

Thus, we will use the exact adjusted EPS estimates of \$0.80 a share for FY2022. This represents an increase of 8% from FY2021.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	---	---	---	---	---	---	---	\$0.62	\$0.64	\$0.74	\$0.80	\$1.02
DPS	---	---	---	---	---	---	---	\$0.23	\$0.46	\$0.47	\$0.47	\$0.52
Shares²	---	---	---	---	---	---	---	1182.0	1601.0	1556.0	1556.0	1556.0

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, giving us an estimated \$1.02 per share for FY2027.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	---	---	---	---	---	---	---	18.7	15.9	15.4	15.0	15.0
Avg. Yld.	---	---	---	---	---	---	---	2.1%	4.6%	4.1%	4.0%	3.4%

Amcor is currently at its fair value. This makes it a decent buying opportunity right now. 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 only 2%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	---	---	---	---	37.1%	71.9%	63.5%	59%	51%

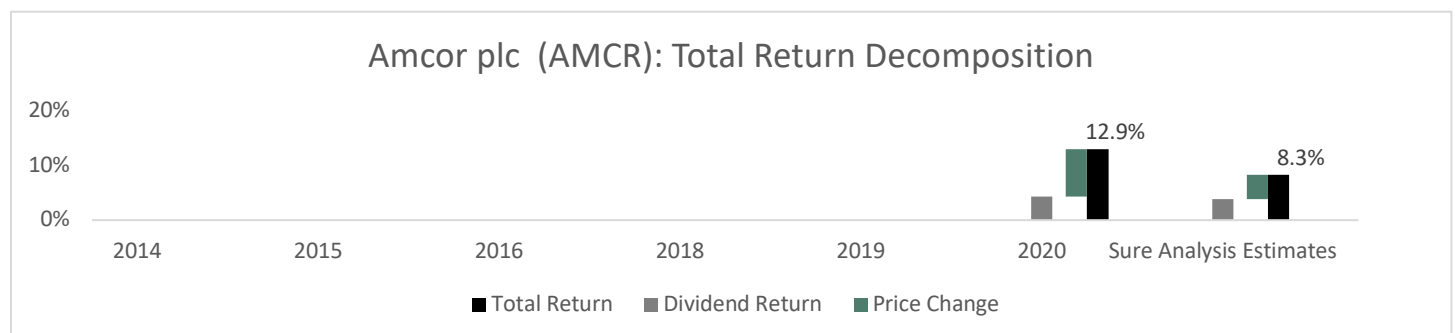
Amcor Plc was created from two sturdy dividend payers, so we see no reason why that trend should not continue. Although Amcor's headquarters are in Great Britain, its largest markets are in the Americas. That means Amcor should be relatively safe from potential future declines to the pound (or to the 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 slightly increased from the last report of a debt-to-equity ratio of 1.4.

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; we estimate an 8.3% 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	12478	11339	10218	9599	9474	9092	9319	9458	12468	12861
Gross Profit	2113	2004	1930	1930	2006	1910	1857	1799	2536	2732
Gross Margin	16.9%	17.7%	18.9%	20.1%	21.2%	21.0%	19.9%	19.0%	20.3%	21.2%
SG&A Exp.	1431	1210	890	961	1469	999	793	999	1385	1292
D&A Exp.							353	446	652	574
Operating Profit	612	734	968	906	469	842	1034	923	1109	1415
Op. Margin	4.9%	6.5%	9.5%	9.4%	5.0%	9.3%	11.1%	9.8%	8.9%	11.0%
Net Profit	422	548	532	679	245	596	575	430	612	939
Net Margin	3.4%	4.8%	5.2%	7.1%	2.6%	6.6%	6.2%	4.5%	4.9%	7.3%
Free Cash Flow							506	444	985	993
Income Tax	270	205	76	188	242	214	119	172	187	261

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	11600	11336	9130	8536	8731	9074	8992	17165	16442	17188
Cash & Equivalents	366	360	509	704	519	561	617	602	743	850
Acc. Receivable	1463	1467	1223	1192	1187	1115	1029	1864	1616	1864
Inventories	1703	1656	1328	1212	1251	1304	1351	1954	1832	1991
Goodwill & Int.	2046	2100	1995	1843	2114	2407	2373	7463	7334	7254
Total Liabilities	8141	7958	6992	6951	7881	8184	7908	11490	11755	12367
Accounts Payable	1995	1996	1786	2343	2432	2576	2591	2303	2171	2574
Long-Term Debt	3993	3971	3513	3575	4356	4597	4459	6103	6235	6289
Total Equity	3368	3292	2029	1464	788	821	1015	5609	4626	4764
D/E Ratio	1.19	1.21	1.73	2.44	5.53	5.6	4.39	1.09	1.35	1.32

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	3.6%	4.8%	5.2%	7.7%	2.8%	6.7%	6.4%	3.3%	3.6%	5.6%
Return on Equity	11.6%	16.5%	20.0%	38.9%	21.8%	74.1%	62.6%	13.0%	12.0%	20.0%
ROIC	5.6%	7.4%	8.2%	12.6%	4.7%	11.2%	10.4%	5.0%	5.4%	8.5%
Shares Out.								1182.0	1601.0	1556.0
Revenue/Share	10.13	9.25	8.32	7.83	8.04	7.78	8.05	8.00	7.79	8.27
FCF/Share							0.44	0.38	0.62	0.64

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

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