



Amcor plc (AMCR)

Updated May 15th, 2023 by Felix Martinez

Key Metrics

Current Price:	\$10	5 Year CAGR Estimate:	9.0%	Market Cap:	\$14.9 B
Fair Value Price:	\$11	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	05/23/23
% Fair Value:	95%	5 Year Valuation Multiple Estimate:	1.1%	Dividend Payment Date:	06/20/23
Dividend Yield:	4.8%	5 Year Price Target	\$13	Years Of Dividend Growth:	3
Dividend Risk Score:	F	Retirement Suitability Score:	D	Rating:	Hold

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, which 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 is in Bristol, U.K. Amcor currently trades with a market capitalization of \$14.9 billion.

Amcor reported its third results for Fiscal Year (FY)2023 on May 2nd, 2023. The company fiscal year ends at the end of June. Sales were up 4% for the quarter compared to the third quarter of FY2022. In the third quarter of the year, net sales for the company were \$3.667 billion, representing a 1% decrease from the previous year due to unfavorable impacts from foreign currency exchange rates and certain items affecting comparability. However, the pass-through of higher raw material costs led to a 2% increase in price growth, amounting to around \$80 million. When considering constant currency basis, net sales increased by 1%, mainly due to price/mix benefits of approximately 4%. Nonetheless, volumes were approximately 3% lower than the third quarter of the previous year. GAAP net income for the quarter was \$177 million, while adjusted EBIT was \$382 million, a 2.5% decrease compared to the same quarter last year on a comparable constant currency basis. For the nine months, the company reported that its net sales for the period increased by 2% to \$8,378 million, which includes negative impacts of 5% due to fluctuations in foreign exchange rates, and approximately 1% due to items affecting comparability. However, there was also a positive impact of around \$490 million (representing 6% growth) due to the pass-through of higher raw material costs. Net sales on a comparable constant currency basis were 3% higher than the same period last year, mainly due to price/mix benefits of around 5% but were partly offset by approximately 2% lower volumes.

Management provided an outlook for Fiscal Year (FY)2023, and they see an EPS decline of 1%-4%. The management team updated its adjusted EPS expectations on a reported basis to \$0.72 to \$0.74 vs. consensus of \$0.80. They also reaffirmed adjusted Free Cash Flow of \$800 - \$900 million. Thus, we will use \$0.73 per share as our calculation for the company valuation and expected returns.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	---	---	---	---	---	---	\$0.62	\$0.64	\$0.74	\$0.81	\$0.73	\$0.89
DPS	---	---	---	---	---	---	\$0.23	\$0.46	\$0.47	\$0.48	\$0.49	\$0.54
Shares¹	---	---	---	---	---	---	1182.0	1601.0	1556.0	1516.0	1566.0	1566.0

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

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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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. 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 4% growth annually over the next five years, giving us an estimated \$0.89 per share for FY2028.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	---	---	---	---	---	---	14.4	16.4	12.9	15.6	14.2	15.0
Avg. Yld.	---	---	---	---	---	---	0.6%	1.7%	1.3%	3.8%	4.8%	4.1%

Amcor is currently slightly lower to its fair value. 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 years 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	---	---	---	---	---	---	37.1%	71.9%	63.5%	59.3%	67%	61%

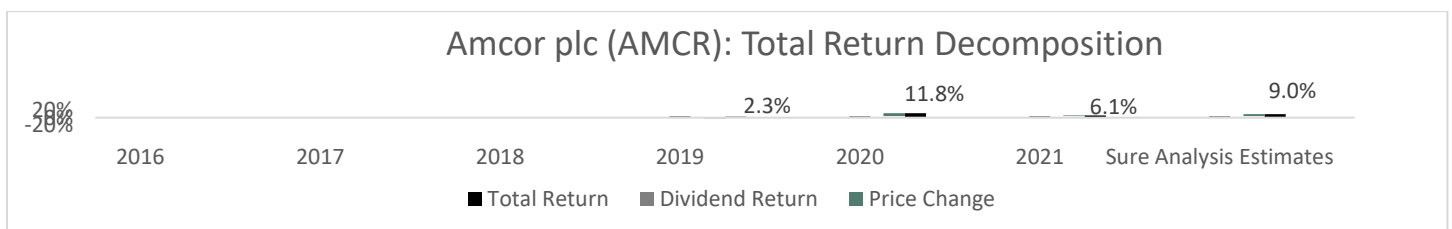
Amcor Plc was created from two sturdy dividend payers, so we see no reason why that trend should not continue. Although Amcor's headquarters are in Great Britain, its largest markets are in the Americas. That means Amcor should be relatively safe from potential future declines to the pound (or to the Australian dollar, for that matter).

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 1.8.

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 9.0% 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	11339	10218	9599	9474	9092	9319	9458	12468	12861	14544
Gross Profit	2004	1930	1930	2006	1910	1857	1799	2536	2732	2820
Gross Margin	17.7%	18.9%	20.1%	21.2%	21.0%	19.9%	19.0%	20.3%	21.2%	19.4%
SG&A Exp.	1210	890	961	1469	999	793	999	1385	1292	1284
D&A Exp.						353	446	652	574	625
Operating Profit	734	968	906	469	842	1034	923	1109	1415	1473
Op. Margin	6.5%	9.5%	9.4%	5.0%	9.3%	11.1%	9.8%	8.9%	11.0%	10.1%
Net Profit	548	532	679	245	596	575	430	612	939	805
Net Margin	4.8%	5.2%	7.1%	2.6%	6.6%	6.2%	4.5%	4.9%	7.3%	5.5%
Free Cash Flow						506	444	985	993	999
Income Tax	205	76	188	242	214	119	172	187	261	300

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	11336	9130	8536	8731	9074	8992	17165	16442	17188	17426
Cash & Equivalents	360	509	704	519	561	617	602	743	850	775
Acc. Receivable	1467	1223	1192	1187	1115	1029	1864	1616	1864	1935
Inventories	1656	1328	1212	1251	1304	1351	1954	1832	1991	2439
Goodwill & Int.	2100	1995	1843	2114	2407	2373	7463	7334	7254	6942
Total Liabilities	7958	6992	6951	7881	8184	7908	11490	11755	12367	13285
Accounts Payable	1996	1786	2343	2432	2576	2591	2303	2171	2574	3073
Long-Term Debt	3971	3513	3575	4356	4597	4459	6103	6235	6289	6490
Total Equity	3292	2029	1464	788	821	1015	5609	4626	4764	4082
LTD/E Ratio	1.21	1.73	2.44	5.53	5.6	4.39	1.09	1.35	1.32	1.59

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	4.8%	5.2%	7.7%	2.8%	6.7%	6.4%	3.3%	3.6%	5.6%	4.7%
Return on Equity	16.5%	20.0%	38.9%	21.8%	74.1%	62.6%	13.0%	12.0%	20.0%	18.2%
ROIC	7.4%	8.2%	12.6%	4.7%	11.2%	10.4%	5.0%	5.4%	8.5%	7.4%
Shares Out.							1182.0	1601.0	1556.0	1516.0
Revenue/Share	9.25	8.32	7.83	8.04	7.78	8.05	8.00	7.79	8.27	9.59
FCF/Share						0.44	0.38	0.62	0.64	0.66

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

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