Amcor plc

Amcor Fiscal 2025 Second Quarter and Half Year Results

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Peter Konieczny
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Anthony Pettinari
Citi; Analyst
Keith Chau
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George Staphos
Bank of America; Analyst
Daniel Kang
CLSA; Analyst
Matthew Krueger
Baird; Analyst
Jakob Cakarnis
Jarden; Analyst
Michael Roxland
Truist Securities; Analyst
John Purtell
Macquarie; Analyst

Amcor plc

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PRESENTATION:

Operator Thank you for standing by. (Operator Instructions) At this time, I would like to welcome everyone to the Amcor Half Year Results 2025. (Operator Instructions)

I would now like to turn the call over to Tracey Whitehead, Head of Investor Relations.

Please go ahead.

Tracey Whitehead Thank you, Kate.

Thank you, everyone, for joining Amcor's fiscal 2025 second quarter earnings call.

Joining today is Peter Konieczny, Chief Executive Officer; and Michael Casamento, Chief Financial Officer.

Before I hand over, let me note a few items.

On our website, amcor.com, under the Investors section, you'll find today's press release and presentation, which we'll discuss on this call.

Please be aware that we will also discuss non-GAAP financial measures and related reconciliations can be found in the press release and the presentation.

Remarks will also include forward-looking statements that are based on management's current views and assumptions.

The second and third slides in today's presentation lists several factors that could cause future results to be different than current estimates.

Reference can be made to Amcor's SEC filings including our statements on Form 10-K and 10-Q for further details. With that, over to you, P.K.

Peter Konieczny Thank you, Tracey.

Thank you to all who have joined us for today's call. Amcor had a very active second quarter, and we're progressing well on three clear priorities: one, deliver on the base business; two, complete the work required to close the announced merger with Berry Global; and three, make sure we are well prepared for a fast start and integration.

With the base business, we start as always with safety on slide 4.

I'm incredibly proud of the commitment our teams demonstrate to safety every day. The safety and well-being of our people will always be our top priority, and we're constantly looking for opportunities to improve.

In fiscal 2025 to date, we have continued to deliver outstanding results.

We achieved an industry-leading total recordable incident rate of 0.30 and 79% of our sites remained injury-free for more than a year.

Our key messages for today are on slide 5. Q2 results were in line with expectations we set in October as we continued to execute and deliver across key financial metrics.

We are pleased to report our fourth consecutive quarter of sequential volume improvement and a return to sales growth, albeit marginal.

Margins also continue to improve, helping drive a 5% increase in both adjusted EBIT and EPS on a comparable basis. This solid performance, along with our confidence in the second half leaves us on track to deliver against our full year guidance, which we are reaffirming again today. Finally, as we continue to execute well on the underlying business, we're also highly focused on the unique opportunity we have to accelerate growth and enhance earnings and cash generation through the previously announced combination with Berry.

Turning to Slide 6.

On our Q1 earnings call in October, I outlined my strategy for Amcor to deliver consistent, sustainable organic growth in the low to mid-single-digit range through an unwavering focus on our customers, on sustainability and on our portfolio mix.

I also shared my future vision for Amcor to become the global packaging partner of choice. The merger with Berry is directly aligned with this strategy and moves us further towards our vision.

Slide 7 highlights the compelling rationale behind this combination.

One of the most powerful and transformational long-term benefits of this merger is the opportunity to drive stronger, more consistent and sustainable volume-driven organic growth and to further improve margins. There are a number of growth opportunities that will become available with two of the most significant shown on this slide.

First, the combined company will be a better business with a broader primary packaging portfolio at scale across consumer goods and healthcare end markets.

In the context of a stronger, larger scale company, Amcor will be uniquely positioned to further refine and prune our portfolio mix to focus even more on attractive higher-value, faster-growing end markets. This journey is already underway with Berry's recent divestitures of its HHNF and tapes businesses, which have significantly enhanced their product mix while reducing cyclicality.

As a result of further pruning, we will increase average growth rates, margins and cash generation across the remaining portfolio.

Second, this combination creates exceptional capabilities, material science and innovation.

We will drive growth for innovation and more sustainable packaging solutions by effectively and efficiently leveraging our combined resources, bringing together more than 1,500 R&D professionals. An annual R&D investment of $180 million will allow us to optimize and redirect R&D spend, providing capacity to focus on solving the most complex functionality and sustainability challenges faced by our customers and consumers. Accelerated growth, combined with significant synergies means this combination will drive compelling near- and long-term value for our shareholders.

Moving to slide 8. You've seen this slide before but let me recap a few of the drivers behind the significant and sustainable financial value we're creating.

We continue to pressure test our assumptions and are confident in the $650 million in total cost growth and financial synergies we've identified and will deliver.

We expect to realize 40% or $260 million of total synergies in the first year and the full run rate in year three with an additional $280 million of onetime cash benefits from working capital improvements, which will fund cash costs to achieve synergies.

Including synergies, this combination is expected to deliver significant cash EPS accretion of over 35% and annual cash flow in excess of $3 billion. This will allow us to maintain a strong investment-grade balance sheet and deploy additional cash to invest in organic growth and M&A.

We expect to increase long-term EPS growth and take the outcomes under our shareholder value creation model to a new and higher level.

Turning to slide 8 and an update on the steps we have taken towards closing.

We are moving very quickly from a process perspective to complete the work required to bring the merger to close.

On January 23, we filed the definitive joint proxy statement prospectus with the SEC, and shareholder meetings are scheduled to take place on February 25th.

Initial materials required to secure regulatory approvals across nearly all required jurisdictions have been submitted, and the first approvals have been received. The composition of the Board of Directors has been finalized and our path to completion is well advanced. From an integration preparedness perspective, we're also well positioned.

We are focused on building our teams, filling key roles ensuring we will make a fast start upon close with clearly defined plans for the first 100 days, in line with our proven integration playbook.

We have a strong track record of successfully executing on large transactions, and our teams have significant experience in integrating sizable businesses.

Moving to Slide 10 for a summary of our financial results.

As noted earlier, delivering on the base business is a top priority, and we continue to execute both with second quarter results in line with the expectations we outlined in October.

Our differentiated value proposition resonates with customers, supporting a return to overall sales growth in Q2 as net sales of $3.2 billion were slightly ahead of last year.

Overall volumes grew by 2.3%, improving on the first quarter and offsetting an unfavorable impact of price/mix. This was the fourth consecutive quarter of sequential improvement in volumes.

As expected, destocking continued in healthcare and demand remained soft in the North American beverage business, impacting mix and unfavorably impacting overall volumes by more than 1%. Across the balance of the business, overall volume growth was consistent with the first quarter up approximately 4%.

Improving volume trends and continued proactive cost and productivity actions more than offset unfavorable price/mix headwinds, leading to another quarter of solid earnings growth.

Adjusted EBIT increased by 5% compared with last year, and adjusted EBIT margin expanded year-over-year by 40 basis points. Adjusted earnings per share of 16.1 cents also grew by 5% on a comparable basis, and cash generation was above the prior year, positioning us to reaffirm our fiscal year guidance.

I'll now turn the call over to Michael to cover the results and outlook in more detail.

Michael Casamento Thanks, P.K., and hello, everyone. Beginning with the flexible segment on Slide 11 and focusing on our fiscal Q2 performance. Q2 volumes were up 3% compared with last year, reflecting ongoing solid growth across all key geographies and a number of important end markets. Net sales also returned to growth, increasing by 1% on a comparable constant currency basis and higher volumes more than offset unfavorable price/mix of approximately 2%, primarily related to lower healthcare volumes.

As expected and discussed in prior earnings calls, we continue to see destocking in healthcare in North America and Europe Pharmaceuticals, which resulted in a headwind of approximately 1% to overall segment volumes.

Compared to the fiscal first quarter, destocking abated and the related price mix headwind improved. Exiting the second quarter, we believe healthcare destocking is now largely behind us. Across the balance of our Flexibles portfolio, volumes were up 4%, reflecting solid demand across regions and in many product categories.

In North America and Europe, second quarter demand remained solid with volumes increasing mid-single digits in both regions despite the negative impact of healthcare destocking. Top line growth was strong across the Asian region, reflecting price/mix benefits and mid-single-digit volume growth, supported by strong demand in China and across Southeast Asia.

In Latin America, volumes were broadly in line with last year's second quarter with good growth in Colombia and Peru, offset by demand in Argentina. From a product category standpoint, ready meals and premium coffee showed strong growth and dairy, meat, liquids and pet care were up low to mid-single digits.

In healthcare, medical returned to growth.

However, pharma volumes continue to be down low double digits compared with last year as a result of destocking. And as I mentioned earlier, is now largely behind us.

Good earnings leverage continued and adjusted EBIT for the quarter of $322 million grew by 4% on a comparable constant currency basis. Higher volumes combined with strong cost performance and the benefits from restructuring led to another quarter of margin expansion with adjusted EBIT margins up 20 basis points to 12.8%.

Turning to Rigid Packaging on slide 12. The rigid business continues to advance its performance and the trajectory of overall segment volumes improved for the fourth consecutive quarter. Net sales were approximately 1% lower than last year, reflecting an unfavorable impact

from price/mix of approximately 2%, partly offset by a return to volume growth with overall volumes up approximately 1%.

As expected, customer and consumer demand in the North American beverage business remains soft and variable through the quarter.

While beverage volumes were down mid-single digits, this marks an improvement on the first quarter of approximately 4 percentage points.

Latin America volumes were down low single digits versus last year, reflecting weaker customer demand in Argentina and Colombia, which was partly offset by growth in other countries including Brazil. The specialty containers business delivered strong growth in spirits, wine and beer with volumes down in healthcare due to destocking and volumes in the closures business were higher than last year. From an earnings perspective, the business executed well in another quarter of growth and margin expansion reflecting benefits from an ongoing focus on cost and productivity measures. Adjusted EBITDA of $53 million was up 10% on a comparable constant currency basis with EBIT margin increasing by 70 basis points to 7.3%.

Finally, in late December, we completed the sale of our 50% interest in Bericap North America closures business, which we announced back in October.

Proceeds of $122 million were used to reduce debt, demonstrating our commitment to disciplined capital allocation, which takes us to the cash flow and the balance sheet on Slide 13.

On a year-to-date basis, the business generated a net cash outflow of $38 million, which includes an inflow of more than $350 million in cash flow in the second quarter, approximately $80 million better than last year's second quarter, largely on the back of improvements in working capital.

Stronger quarterly cash flow and receipt of proceeds from the Bericap sale led to a reduction in net debt of approximately $375 million compared with last quarter. Leverage also improved sequentially, coming in at 3.3x, which is in line with the expectations we provided on our October call.

We expect leverage to further reduce through the second half of the fiscal year, and we remain confident in meeting our expectation to exit fiscal 2025 with leverage at 3x or lower.

Through the first six months of fiscal 2025, we returned approximately $365 million in cash to shareholders through our quarterly dividend.

This brings me to the outlook on Slide 14. And as P.K. mentioned earlier, based on our solid first half performance and our confidence in the second half, we remain on track to deliver for the full year, and we are again reaffirming our guidance.

For fiscal 2025, we continue to expect adjusted earnings to be in the range of $0.72 to $0.76 cents per share on a reported basis, representing comparable constant currency growth of 3% to 8%.

We continue to expect to deliver strong growth in the underlying business for the year as earnings momentum continues to build. As we've pointed out previously it's important to remember that the guidance assumes an EPS headwind of approximately 4% related to more normalized levels of incentive compensation based on our expectations for improved annual results. Excluding this incentive normalization, we expect growth from the underlying business in the mid-single to low double-digit range.

We continue to assume overall volumes will increase in the low to mid-single-digit range for the year, with trading performance through January in line with this expectation.

We have updated our interest guidance to between $290 million and $300 million, bringing the midpoint modestly lower to reflect the benefit in the second half related to the Bericap proceeds being used to reduce debt. As a reminder, the overall impact of the Bericap sale on EPS for the year is relatively neutral, taking into account the loss of annualized EBIT of approximately $19 million and the benefit of lower interest.

Our effective tax rate range remains unchanged at 19% to 20%.

In terms of phasing through fiscal 2025, we expect this will be aligned with historical average, with the second half generating 55% to 58% of EPS based on our guidance range and the fourth quarter being the strongest of the year and typically 30% or more of full year EPS. And finally, we're affirming our expectations to generate strong adjusted free cash flow in the range of $900 million to $1 billion for the year, supporting our confidence in exiting the year with leverage back at 3x or lower, as I noted earlier.

We are pleased with our continued execution across the underlying business, and we are confident in our outlook for the year.

We're excited about the additional opportunities we have to accelerate future growth through our combination with Berry.

So with that, I'll hand back to P.K.

Peter Konieczny Thanks, Michael. A few closing remarks to summarize ahead of taking questions.

We're executing well on the underlying business and are confident our merger with Berry is a winning combination for all stakeholders. The path to completion is clear with meaningful milestones already behind us.

We remain highly focused on next steps to ensure we are setting the organization up for success, and we remain on track and confident the transaction will close around the middle of calendar year 2025.

Kate, we're ready to take questions.

Operator (Operator Instructions) Your first question comes from the line of Anthony Pettinari with Citi.

Anthony Pettinari You talked about potential divestitures to strengthen the business. I'm just wondering, do you expect that those could be impactful at all to synergy targets or timeline?

And then as the divestiture opportunity, do you think it's larger than maybe you had expected late last year when you announced the deal or if there's any kind of color you can give us in terms of whether these are more likely Berry assets, Amcor assets? Or just any additional color you can give?

Peter Konieczny Yes. Thanks, Anthony.

Look, I think you're talking about the portfolio pruning activities that I mentioned on a couple of calls earlier, and also in the context of the Berry combination.

For me or for us, this is one of the additional levers that we can pull in order to orient the business towards a stronger, faster-growing business organically and a business that is more attractive in terms of a higher and better margin quality.

Now with the combination with Berry, we have embarked on a work stream that essentially puts the whole portfolio on the table,. and we have started the conversations around that.

So we're on it, and we're pretty much looking at everything. And as I said before, there are multiple criteria that we would apply to this analysis, but two of them are stronger intrinsic organic growth and then margin quality, would be the two outstandings.

It's a little early for us to say where we land and what we're going to do. I think we need a little more time in order to come to a conclusion on it.

But that is the key consideration here. I'm not sure it will have an impact on accelerating synergies and that's where you were coming from. I think it's really just about organic growth and making business more attractive in terms of margin quality.

Operator Your next question comes from the line of Keith Chau with MST Marquee.

Keith Chau So I just want to go back to a point around underlying demand. I think in the last quarter, there's much discussion or even over the last year about volume growth returning as destocking ends. So it, certainly, seems as though that has happened.

But in the last call, you talked about underlying consumer demand still being fairly tempered and seemingly in the second quarter, that hasn't changed too much. So I'm just wondering if you can update our views in that respect, whether there has been any restocking in the period.

And to what extent do you believe price/mix will improve in the Flexibles division in the third quarter and fourth quarter?

Is that going to be a positive outcome as that destocking in healthcare has ended?

Peter Konieczny Yes, Keith, there's a couple of questions there. Let me try to sort them.

So first of all, when we look at our volume expectations in the second quarter this fiscal year it wasn't an exception we did not really expect consumer demand to strengthen a lot.

We always talk about the consumer demand in the range of being flat to slightly down and that is essentially what we've seen.

Now when we look at scanner data and we look at other reporting from customers and we triangulate all that, I think we get to the conclusion of the consumer having modestly softened in the second quarter versus the first one, and that's just the way it is, we've seen that, too.

On the other hand, when I take a step back and look at our volume performance, I think it's important to calibrate against that environment, and we're actually pretty happy with the volume performance in the second quarter. Let me just highlight a few things here.

We are up in the second quarter versus the first quarter. Sequentially, we've almost seen a point of growth between Q1 and Q2. Flexibles is up 3%, Rigid's is up overall 1%. When you look

at the overall business, it was the fourth consecutive quarter of volume improvements or the third consecutive quarter of volume growth that we've seen.

Then also to your question on price/mix or particularly mix, we are sitting in a spot where we believe that the healthcare destocking is pretty much behind us at this point.

We've seen some abating destocking in the pharma stock category in the last quarter, in Q2. Maybe there is a bit of lingering destocking that carries forward into Q3, but for all intents and purposes, I believe that we can talk about calendar 2025 as a year, which is going to be cleaner from a destocking perspective.

Then the final point that I want to make is the -- or let me just say something else here on the point, the mix -- as healthcare is improving.

I just want to make that point really clearly, as healthcare is improving, we are going to see an improved mix exposure in the back half. We're also pretty confident that healthcare will overall return back to growth. So that's on your next question.

Then coming back to the final point that I was going to make on the point of restocking, we never really felt that restocking would be a trend in the industry. What we have seen in the past was our customers across the different categories have built inventory in response to the supply chain shocks that we've seen in the past. After the supply chain stabilized, there was an overall trend to fixing the inventory levels, maybe even further because of the higher interest cost and the carrying value of inventory, it's driven it down to a new normal.

What we see from here are just seasonal inventory impacts but nothing that relates back to a structured destocking initiative.

Operator Your next question comes from the line of George Staphos with Bank of America.

George Staphos Question on the momentum within Flexible Packaging.

Can you talk to the degree to which incentives and/or FX might have impacted what otherwise would have been the EBIT conversion in Flexibles relative to the volume growth and whether EBIT itself and Flexibles was in line with your forecast?

And as you're taking 2Q into 3Q, what kind of exit rate are you seeing on volume and conversion within Flexibles in the categories you serve?

Peter Konieczny Well, I can speak to the latter part of that question with regards to volumes and then Michael can address some of the financial components.

From a volume perspective, we're looking -- and that's across the business, we're looking at a first half that pretty much left us within our guidance range on volumes from low to mid-single digits.

That's, overall, pretty much exactly where we expect it to be. As we exit the second quarter into the back half, I have no reasons to expect anything else for the back half.

So we're sitting here today and we're saying we're confirming the volume guidance of low- to mid-single digits for the full year, and that's across the categories that we see, so Flexibles and Rigid.

Michael Casamento Yes. I think if we just talk about the profit performance of the business, I mean we were pleased with where it ended in the quarter. It was in line with expectations.

We continue to see good leverage through the P&L from that volume improvement to the EBIT improvement. As we said earlier, we're still trailing a bit of negative mix, particularly on the healthcare side of things. So that will certainly improve.

I think from a cost standpoint the business has continued to focus on that margin quality, but also the cost out.

I guess one factor though is that clearly in the prior quarter -- in the prior year, we had a really strong cost out focus particularly as we could see the impact of destocking pretty significantly earlier on in the quarter. We took a lot of effort to really manage that cost and limit the impact of that volume.

This year, clearly, we continue to focus on cost, but we are lapping a much more difficult comp and that means we have put a little bit of labor back into the business, still getting that cost out, but I have put labor back in just to ensure we don't miss any demand at all. So we are pleased with where the business ended up.

From an FX or incentive point, there's not really anything to speak to there. It wasn't a material impact.

Operator Your next question comes from the line of Daniel Kang with CLSA.

Daniel Kang So I understand that an integration planning event was recently held where both Amcor and Berry staff joined from global work streams.

Can you just shed some color on the event?

I'm interested in whether the leadership team managed to walk away with greater confidence and perhaps greater granularity on the target synergies?

Any comments that you can share, particularly on the key line items of procurement, G&A and operational, would be helpful?

Thanks, P.K.

Peter Konieczny Thanks, Daniel.

First of all, it's all accurate, what you said. We are according to the three priorities, we are also focusing on preparing the integration and we're expanding our initiatives across a broader base of colleagues of two businesses in order to get ourselves ready to get out of the blocks fast once the acquisition closes.

Now what we're currently doing is we're essentially organizing ourselves. It's still business as usual. We're still two different businesses. So we can't address the integration. We can't start doing that. We can just plan it.

But one of the things that we do, according to our playbook that we have within Amcor and Berry likewise has a lot of experience in integrating businesses, is we're setting ourselves up with an integration management office. Underneath that we're organizing ourselves with teams that will address the different work streams that will bring the two cultures together but then are also focused on generating the synergies so that we're able to deliver and outperform against that as the two companies come together.

Now to the extent we have an opportunity to look further into the estimates that we've made at the time we do actually gain confidence in the synergy bucket that we put into the market of the $650 million, most of which is cost related and breaks down on the cost side, if I put the financial synergy opportunities aside between procurement, SG&A and then operations.

So overall comment is, we're gaining more confidence in the numbers that we've put out there. And that also applies to procurement, which is the biggest single item with $325 million.

I just want to say, just to dimensionalize the number which comes across as a big number, we have a spend between the two combined companies of about $13 billion.

If you look at the raw material side, that's about $10 billion and if you look at the procurement opportunities against that spend, we're sitting around 3% of synergy capture, which we think is well aligned.

So very confident in the synergies at this point in time.

Operator Your next question comes from the line of Ghansham Panjabi with Baird.

Matthew Krueger This is actually Matt Krueger sitting in for Ghansham.

Just wanted to follow up on the raw materials front. Can you provide some added details and an update around what you're seeing in the raw material and other input cost basket across your business, maybe give us an updated outlook for the year?

And any thoughts on if or how this latest round of tariffs impacts your cost base or maybe even how you're going to conduct your business?

Any details there would be great.

Michael Casamento Yes. Sure. I can help with that. It's Michael here.

From a raw material standpoint, the first half was really pretty benign.

If you look at our numbers in the top line, in the revenue line, actually, the raw material number for the first half was flat. So that tells you that the input costs overall were pretty flat for the first half. Q2, again, was a similar trend to Q1. There was a little bit of pass through in Q2, but less than 1% in the top line and no impact in the earnings.

And remember, we've got a broad base of goods across geographies, so they can move up and down at different rates. But generally, what we saw overall was the basket was pretty flat, as down slightly.

That included resins and liquids that were down in perhaps the low-single-digit range, and then there were some offsets with things like aluminum, which were up in the mid-single-digit range. So pretty benign.

If we look forward into Q3, it's about as far as we look out with any confidence, I would say that it's probably a pretty similar view: Asia, Europe looking flat, perhaps in North America, some slight increases. But overall, we'd expect the environment to be relatively benign in Q3. And after that, we'll see what happens.

From a tariff standpoint, I think our business is very regional. In North America, particularly, the level of imported goods is really very low. Typically, in specialty products that we can't get in this region. So from a tariff standpoint, that would be factored into the cost and then passed through.

So we don't really see a lot of impact on our business just because of the regional or local nature from any tariffs impacting the cost base.

Peter Konieczny I may add to that. On the tariff side, first of all, everything that Michael said is very true. We're a very regional business.

If anything, we've become more regional, given the experience from the past, long supply chains have essentially created risk on the service levels to your customers. So we have even tried to shorten supply chains over the past.

In terms of the ability to pass through tariffs, when you think about it, in some cases, we even have agreements with customers that would be based on indices that would allow us to pass on these additional costs.

So I think we're in a spot where because we're regional, because we have some pass-through opportunities, we feel we're not immune, but somewhat robust against the tariffs.

Operator Your next question comes from the line of Jakob Cakarnis with Jarden.

Jakob Cakarnis I just wanted to ask just about the trajectory in the health business.

So, obviously, some improvement there.

It sounds like it's pharma that's still dragging on volumes. Just wondering as we move through the balance of the year, should the Berry merger complete, what's the exposure like to healthcare overall post-merger?

And do you think that the momentum that you're seeing gives you further confidence that you can drive that organic sales growth in the combined entity as you plan to, please?

Peter Konieczny Yes. Well, thanks for that question because I'm a big healthcare fan.

So I can take a step back and maybe help you on how we look at that.

First of all, I believe that healthcare is a category that's a real gem in our portfolio.

We've always said that from an Amcor perspective, and we're excited about the combination with Berry also because we can strengthen that business.

Overall, when we combine the business, we're looking at about a $3 billion combined business in healthcare with really attractive exposures, which is also very complementary.

On the Berry side, think about multicomponent delivery devices, for example, inhalers that are being brought to market and that is something that on the Amcor side, we do not have in our portfolio.

So first of all, we believe that healthcare is a gem, while it has been sort of challenged over the last couple of quarters because of pretty much significant destocking. You asked about the destocking.

We were essentially convinced that all of our categories had to come to an end with destocking by the beginning of calendar 2024.

The one that was left over really was healthcare because the destocking trend has started later, and therefore, lasted longer.

As we then look at the first and the second quarter this fiscal year, we've definitely seen some destocking in the first quarter where the subcategory of medical had already returned to some growth, albeit small, but in pharma, we were pretty much challenged still with the destocking.

We have seen in the second quarter medical further improve and strengthen.

On the pharma side, we've seen destocking abate. And again, we would now be in a spot where we'd say to keep things simple. That destocking in healthcare is also over now realistically, there's probably going to be some lingering destocking that carries over in the third quarter. I think I said that earlier today on this call. But fin the grand scheme of things, again, I think destocking is completely over.

With that said, healthcare will return back to growth, and we will get back to the historical growth rates, 3%, 4% of healthcare over time. That will also take away the mix impact that we have in the translation to the bottom line. Overall, pretty excited with that going forward.

Operator Your next question comes from the line of Mike Roxland with Truist Securities.

Michael Roxland As you're proceeding through the due diligence process with Berry, is there anything that stands out that you weren't expecting, upside, downside?

My sense is that you, obviously, some of the synergies do have some upside given your comment P.K. earlier?

And then secondly, just given that growth, overall volume growth is slowly improving in the base Amcor business, is there anything you're doing maybe from a cost advantage point to help drive better profitability?

Peter Konieczny Yes, Mike, so I just got to think about the first question. There were two questions here.

Can you guys help me, what was the first one?

Tracey Whitehead Anything that stands out in the due diligence upside or downside?

Peter Konieczny Thank you.

So due diligence. Look, I would say there are no surprises on our side. As we moved from announcing the deal a couple of months ago to where we're at today. But you got to remember, it's business as usual at this point in time right?

So the data that we have available to look at is pretty much, for large extent, really just the data that we had.

That will significantly change only as we come to closing, which we expect to be in the middle of this calendar year, which has not changed versus what we've done before.

So that's the answer to the first part of your question. Is there anything positive or negative? We're pretty much in a spot where everything is as expected. And from a synergy perspective, you also mentioned that.

I think yes, we are becoming more confident in the synergies. So that is all positive.

Now the second part of the question Michael, do you want to take that?

Michael Casamento Yes. I'll take it along, P.K. Sure. Thanks for that part of the question, Mike.

Yes, on the cost side, we continue to focus on driving efficiency in our operations and our plants, managing the labor pool and flexing that to the volume as needed. We continue to look at the shift patterns and managing over time.

We've also still got some residual benefits to come through from the restructuring programs that we had in places where we called out a couple of years ago in relation to offsetting some of those disposed earnings from Russia.

So in the first half, we probably picked up about $7 million benefit down.

We've probably got another $7 million or so to come in the second half.

So overall, it's a really strong cost focus and both operationally and still some benefits to come from the restructuring.

So that's all factored into our guidance that we reaffirmed for the full year.

Operator Your next question comes from the line of John Purtell with Macquarie.

John Purtell Look, just coming back to Berry. Obviously, and thanks for the comments there on healthcare, Peter. But obviously, Berry globalizes your Rigids business. I mean what do you see as the sort of key benefits of that?

And if you can also please touch on the growth outlook for closures and dispensing systems and what that potentially gives you?

Peter Konieczny Thanks, John.

So on the Rigids business, you said it globalizes our Rigids business. Let me be a little more specific about that and pull it apart because I think it's really important.

First of all, in terms of quantum, our Rigids business, we summarized under the roof of Rigid Packaging, which is about a $3 billion business. The Berry business has a containers and closures business, which is about a $7 billion business. Hence, the combination will get us to a really scaled player and multi-regions. That's different from what we have today.

Now the key difference, though, is that we play only partly in the incomparable, call it, subsegments. When I dissect our Rigid Packaging business, I would split it generally between the North American beverage business, which we discussed quite often because it's a scale business. It's in the beverage side, it sits in North America, and it serves categories like isotonics, ready-to-drink tea, where we have some underlying challenges right now because it's a more discretionary category, as we've discussed many times. That's a scale volume-driven business where we're very well positioned in North America on the Amcor side.

The other part of that business is around specialty containers. That's a different business. It's also a scale business but not as big as the North American beverage business, which serves a number of different categories and makes containers for those categories across the board.

Now the Berry side of the containers business is much more comparable to the specialty containers business, of Amcor. That's where the complementarity comes in.

In fact, Berry doesn't do anything on the North American beverage business. They don't have exposure to that type of a segment.

So we believe that is very positive for us because we were very interested in the specialty containers business, as we call it, which is very much aligned with the Berry business.

Again, on the Berry side, we have really good high-value products. When you think about it, it is the containers business of Berry that actually brings along the healthcare exposure.

I talked about that earlier, here we see the multicomponent more complex delivery systems on the healthcare side, and there's other parts of the business that we likewise are attracted to. When you then go to the closure side of Berry, which is an addition to our business, particularly after we've divested our joint venture stake in the Bericap joint venture. Then you will find a nice exposure to dispensing systems and pumps that we likewise are very attracted to.

So it is very complementary, and it's not in the North American beverage space. And therefore, we're pretty excited about the combination.

Now you also asked us for our growth assumptions in the case of closures and dispensing systems.

I think it's a little too early for me to give you a concrete answer to that, that you can hold me to as we go forward. So I'll ask for a little more time for me to go back to that and confirm that on a later call.

Operator Your next question comes from the line of Keith Chau with MST Marquee.

Keith Chau Michael, just one for you.

At the last result, I think you guided to first half, second half split of 45-55, which I think based on what's been achieved in the first half, that split implies the bottom of the guidance range.

So I'm sorry, to ask you a mathematical question, but the top end does imply -- sorry, the midpoint does imply a slightly greater skew to the second half.

So given the top half now represents something more like 42-58, how are you thinking about that split going into the full year, given what's happened in the first half or what's been achieved in the first half?

Michael Casamento Yes. Okay. I think as I said in my comments, we're basing the phasing on the historical average is what we're expecting. That's a range.

When I talked Q1 last time around, I was approximately 45 to 55, but it can vary on the margin. I think as we've exited the first half, we're right in line with our expectations. Volumes in that low single-digit range. The margins continued to expand, and we saw the EPS growing at 5%. As we've exited that, we look into January and then looked at the outlook, we feel really confident in the second half, which is why we've reaffirmed our guidance today. As P.K. said, that implies that the second half, low-single-digit to mid-single-digit volume growth. That's going to be a key driver, obviously, of the outcome of the year.

In terms of the range we've given you, the importance of the range, the volume, particularly, as we get into the higher seasonality of the business, particularly in Q4, we don't need a lot of volume improvement to really see strong leverage through the P&L, particularly in Q4 where the cost base is well covered off. That's the biggest quarter of the year, typically above 30% of earnings.

The other thing to take into account as well is clearly, we're expecting the mix improvement in the second half as a result of the healthcare business returning to growth and lapping that peak period of destocking last year.

So from here, we said we've reaffirmed guidance. We feel pretty confident in that, and we'll update you in May as we work our way through the year.

Operator Ladies and gentlemen, this concludes our question-and-answer session.

I will now turn the call back to Peter for closing remarks.

Peter Konieczny Yes. Thank you, Kate.

Given the overall environment, we feel pretty confident, and we feel pretty good about the quarter that we've delivered, and I hope that came across.

So again, we believe it’s been a good quarter. The volume and growth improved. Pretty confident in the second half, and we've reaffirmed guidance on the back of that.

Thank you very much for your questions and your time. We look forward to having the opportunity to meet some of you at the upcoming conferences. Thank you very much.

Operator Ladies and gentlemen, that concludes today's call. Thank you, have a great day.