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Amcor Fiscal 2025 Third Quarter Results
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TOTAL PAGES: 25

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PRESENTATION:

Operator Instructions Well good day, everyone and welcome to Amcor's Fiscal 2025 Third Quarter Results Call. . This call is being recorded.

At this time I would like to hand things over to Ms. Tracey Whitehead, Head of Investor Relations. Please go ahead, ma'am.

Tracey Whitehead Thank you, Operator, and thank you everyone for joining Amcor's fiscal 2025 third quarter earnings call. Joining the call 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 the call. Please be aware that we'll also discuss non-GAAP financial measures and related reconciliation, remarks will also include forward-looking statements that are based on management's current views and assumptions.

The second slide 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 statement on Form 10-K and 10-Q for further details.

Please note that during the question and answer session, we request that you limit yourself to a single question and then rejoin the queue if you have any additional questions or follow-up.

With that, over to you, PK.

Peter Konieczny Thank you, Tracey, and thank you to all who have joined us for today's call.

Today is a defining day for Amcor as we successfully closed our transformational combination with Berry Global earlier than we anticipated, in a record time. Early close means we are now positioned to accelerate earnings growth through the delivery of significant synergies that we have identified and are within our control.

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I want to thank the Amcor and Berry teams for their hard work, and dedication over the past months. Together, they have navigated challenges and complexity to accomplish a truly remarkable outcome that positions Amcor for a faster start on synergy delivery and growth.

As always, on Slide 3, we begin with safety, our #1 priority. This commitment remains unchanged as we welcome 30,000 new colleagues to Amcor.

Our total recordable incident rate, TRIR, fiscal year-to-date was 0.27 and 69% of our sites have remained injury-free for over a year. Our focus on workforce safety and the well-being of our people is resilient and we continue to achieve industry-leading performance.

Our key messages for today are on Slide 4.

First, we continued to deliver EPS growth in Q3, reflecting disciplined execution and resilience in a demand environment that became more variable and uncertain as the quarter progressed, particularly for our North American business.

Second, as I mentioned, the Berry combination closed ahead of schedule. It took less than six months from announcement to close during which time we secured shareholder approvals, completed the necessary refinancing, including a multibillion dollar debt offering, and obtained unconditional approval from regulators in all required jurisdictions. As a result, our earnings and cash flow guidance have also been updated to reflect expectations for the combined company in the fourth quarter.

Third, our early close also means we will enter fiscal 2026 in an even better position with confidence, the synergy run rate will start strong and build quickly through the year. The source of synergies has been identified, our execution plans are clearly set out and within our control, and synergies alone give us clear visibility to significant total earnings accretion of approximately 12%.

Turning to Slide 5.

As we begin integration, our focus is clear. deliver identified synergies and grow faster. Experience with previous acquisitions tells us that having clear accountability and alignment from day one is critical to our success. This combination brought together two extraordinary pools of talent, and we are fortunate to have a team of leaders in place with significant functional, operational and industry expertise.

Our business is organized around two segments: Amcor's global flexibles business is being led by Fred Stephan, who has many years of experience within Amcor leading large-scale flexible packaging businesses. And Jean-Marc Galvez, former President of Berry's Consumer Packaging International division, is leading Amcor's global Containers and Closures business. Fred and Jean-Marc are well supported by world-class functional leaders and dedicated integration teams with separate work streams focusing on capturing costs, financial and growth synergies.

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Slide 6 provides a recap of the highly compelling rationale for this combination and the alignment with our strengths to become the packaging partner of choice for customers, while also delivering stronger, more consistent and sustainable organic growth and further improving margins. There are a number of growth unlocks now available. The combined company is a better business, with a complementary and broader portfolio of primary packaging solutions at scale across consumer goods and health care end markets.

In the context of a stronger, larger scale company, we are now uniquely positioned to further refine our portfolio mix to focus even more on attractive higher-value, faster-growing end markets. With further pruning, we will increase average growth rates, margins and cash generation across the remaining portfolio, and we continue to advance our work on this review.

In addition, Amcor has exceptional and now enhanced capabilities in material science and innovation, providing opportunities to drive growth by effectively and efficiently leveraging our combined resources.

With more than 1,500 R&D professionals and annual R&D investment of approximately \$180 million, we can now optimize and redirect R&D spend capacity to focus on solving the most complex functionality and sustainability challenges faced for our customers and consumers. Executing against these growth opportunities and delivering the significant identified synergies is largely within our control and will drive compelling near- and long-term value for shareholders.

Turning to synergies on Slide 7. The work our integration teams have already completed gives us confidence in delivering \$650 million of synergies, which will result in significant earnings growth over the next three years. Approximately 40% of total synergies or \$260 million is expected to benefit fiscal 2026 earnings. A further \$260 million of synergies will benefit earnings in fiscal 2027. With a balance in fiscal 2028, leading to total EPS accretion in excess of 35% over the 3-year period.

In addition, we expect onetime cash benefits of \$280 million from working capital improvements, which will fund costs to achieve.

Finally, on Slide 8, and the compelling sustainable financial value we're creating.

Including synergies, annual cash flow available to reinvest will exceed \$3 billion each year by fiscal 2028 and will enable us to maintain a strong investment-grade balance sheet, deploy additional cash to support higher levels of organic volume-driven growth, finance further M&A and continue funding a compelling and growing dividend from Amcor's current annualized base of \$0.51 cents per share.

With stronger cash generation and greater opportunities to invest we also expect to increase long-term EPS growth and raise the outcomes under our shareholder value creation model to a new

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and higher level. Simply put, this combination is a game changer for Amcor's financial profile and provides self-help earnings growth opportunities at a time of increasing uncertainty in the macro environment.

Moving to Slide 9 for a summary of our third quarter financial results.

Overall volumes were in line with last year with modest share gains offset by weaker consumer and customer demand. As Michael will cover in more detail, there were a number of puts and takes across our regions. Volume growth in the low to mid-single-digit range in each of Europe, Asia Pacific and Latin America, was offset by weaker-than-anticipated consumer demand in our North American businesses including North American beverage.

Notwithstanding the increasingly dynamic consumer environment, Q3 saw continued growth across key financial metrics with net sales of \$3.3 billion, and EBIT of \$384 million, both marginally higher than last year. We also delivered another quarter of adjusted EPS growth, up 5% on a comparable basis, benefiting from a continued focus on cost, as well as improving healthcare volumes which benefited price/mix trends as anticipated.

I'll now turn the call over to Michael to cover the third quarter result and our updated outlook in more detail.

Michael Casamento Thanks, PK, and hello, everyone. Beginning with the Flexibles segment on Slide 10. Volumes for the quarter were up 1% on last year. Modest share gains in several important categories including health care and protein, were partly offset by weaker consumer demand, primarily in North America.

Overall demand remained solid through the quarter in Europe, Asia and Latin America, with each region achieving low to mid-single-digit volume growth. China and India continued to deliver mid to high single digit growth and volumes were up across most countries in Latin America.

As P.K. mentioned earlier, the demand environment in North America became more variable and uncertain as the quarter progressed. North America volumes were down low single digits, which was lower than we anticipated heading into the third quarter including in snacks, confectionary, and home and personal care categories. From an end market perspective, we continue to see good growth in a number of our priority markets; pet care, premium coffee and ready meals continue to grow strongly. Volumes in meat, dairy and liquids were up low to mid-single digits, benefiting in part from modest share gains.

Healthcare volumes continued to improve sequentially. Medical volumes were up in the high single digits, and as expected, demand for pharmaceutical packaging improved significantly as destocking is now essentially behind us. Strength in these categories more than offset volume declines in end markets such as snacks and confectionary, and home and personal care, which were both down low single digits.

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Improved health care volumes support a return to favorable price/mix and overall net sales were up 1% on a comparable constant currency basis. Adjusted EBIT of \$357 million grew 2% on a comparable constant currency basis, benefiting from the higher volumes and continued strong cost performance. EBIT margin for the quarter remained strong at 13.7%, broadly in line with last year.

Turning to Rigid Packaging on Slide 11. The Rigids business had a more challenging quarter as solid growth in Latin America and specialty containers was more than offset by weaker-than-anticipated consumer and customer demand in North American beverage. Net sales were approximately 3% lower than last year, reflecting a 2% decline in overall volumes and an unfavorable impact from price/mix of approximately 1%.

Entering the quarter, we anticipated continued soft demand in North American beverage, however consumer and customer demand across our key categories weakened further, resulting in a high single-digit volume decline.

Latin American volumes were up mid-single digits, and growth was strong in several countries and regions including Mexico and Central America. Volumes were higher in the specialty containers business with growth in health care end markets.

From an earnings perspective, adjusted EBIT of \$55 million for the quarter no longer includes any contribution from the Bericap joint venture, which was divested in December 2024. Bericap benefited Rigid Packaging segment earnings by approximately \$5 million in the third quarter last year.

On a comparable basis, EBIT was unfavorably impacted by lower volumes and price/mix headwinds. This was partly offset by favorable cost performance, net of sequentially higher labor costs in the North American beverage business. It is typical for manning capacity to increase in the March quarter as the business approaches the seasonally strongest June quarter, and this had an unfavorable impact on earnings for the quarter given the lower than anticipated volumes.

Moving to cash flow and the balance sheet on Slide 12.

On a year-to-date basis, the business had a net cash outflow of \$17 million, which is lower than we expected and compares with a cash inflow of \$115 million last year. The key driver of this underperformance is higher inventories as a result of weaker sales volumes in the March quarter.

In response, we have significantly increased our team's focus on working capital performance and we are prioritizing inventory reductions to a level that is more aligned with the expected demand. Leverage of 3.5x was higher than we were anticipating due to stronger euro spot rates towards the end of the quarter which negatively impacted leverage by 0.1x as well as higher quarter end net debt.

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We expect to exit fiscal 2025 with leverage at approximately 3.4x, inclusive of acquisition impacts and we remain confident in bringing leverage down to approximately 3x by the end of fiscal 2026. This trajectory is aligned with expectations we set out when the merger was announced in November last year. Our teams did an excellent job completing the required refinancing of Berry Global debt prior to transaction close and ahead of this current period of increased volatility in financial markets.

Finally, the company has returned \$550 million in cash to shareholders through a growing dividend and the Board of Directors today declared the March quarter dividend of 12.75 cents per share, which is 2% higher than the same quarter last year.

This brings me to the outlook on Slide 13.

As we look ahead into the fourth quarter, we are not anticipating any improvement in the overall demand environment, and we believe this is a particularly prudent approach given current macroeconomic conditions and uncertainty around tariff impacts on consumers and customers.

As a result, we expect overall Q4 volume growth to remain muted and aligned with the March quarter. That said, with the successful early close of the merger, we have taken into account two months of Berry and we continue to expect earnings for fiscal 2025 within our original guidance range.

Heading into the final quarter of the year, we are narrowing our outlook range for adjusted EPS to \$0.72 to \$0.74 cents per share on a reported basis. This takes into account two months of earnings from the legacy Berry business as well as additional shares issued upon close, which results in a net accretion of up to 1 cent per share. In terms of free cash flow, we expect a range of \$900 million to \$1 billion for the year, which also includes the contribution from the legacy Berry business.

Importantly, as PK mentioned earlier, before we even consider assumptions around organic performance for fiscal 2026, we have clear visibility to significant EPS growth of approximately 12% through delivery of \$260 million of synergies alone which is not dependent on improving macroeconomics, customer or consumer demand.

We're excited about the opportunities ahead and confident in our ability to execute on the controllables and deliver significant value to shareholders in fiscal year 2026 and beyond.

With that, I'll hand back to you, PK.

Peter Konieczny Thanks, Michael. To sum up before taking questions. With an enhanced global footprint, expanded capabilities across consumer and health care packaging and a clear roadmap to significant synergies over the next three years, Amcor is well positioned to deliver value to our stakeholders despite an increasingly uncertain external environment.

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We are thrilled to welcome our new colleagues, customers and shareholders. This is day one of an even stronger future for Amcor and the best is yet to come.

Operator, we are now ready to take questions.

QUESTION & ANSWER:

Operator (Operator Instructions) Our first question today comes from Ghansham Panjabi with Baird.

Ghansham Panjabi Congrats on the merger close first off.

I guess on the progressive deceleration in North America volumes that you called out, maybe you can just share with us what customers are sharing with you as it relates to the sequential weakening. The reason I ask is volumes were already at a low point to begin with, given previous destocking, consumer affordability issues, and all that stuff.

So what got worse do you think? And related to that, was the Berry volume profile any different than what you reported?

Peter Konieczny Yes. Thanks, Ghansham. Really good questions. And let me start with what we're seeing in North America.

First off, just to position that and put it into perspective. We went into the quarter with an expectation of low to mid-single-digit volume growth across the board. We came out of the quarter seeing that we pretty much hit that expectation everywhere, except in North America. So that was the hold back.

In North America, we have seen real weakness on the consumer demand, particularly hitting our North American beverage business which was down high single digits and therefore, softer than what we have seen in the prior quarter where it was down about mid-single digit. We've also seen some weakness in our North American Flexibles business, which was driven by categories that can be more discretionary. For example, beverage and confectionery. Also keep in mind that we're seeing a lot of inflation coming from the cocoa environment.

While that was offset with some categories where we've seen growth, health care, meat, dairy and liquids, that was essentially the overall story for North America, weaker than what we expected. I just want to make one more comment.

As you pointed out, volumes have been low and in the past quarters, certainly driven by destocking, which, however, reduced over time. The destocking is now behind us. What we're seeing now is no longer an impact from destocking. What we're seeing now is really soft consumer demand, which I'd say really goes back to sticky inflation. We called that out in earlier

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calls, then in the third quarter of this calendar year, certainly the whole uncertainty around the tariff situation has had an impact.

Operator Our next question is Anthony Pettinari, Citi.

Anthony Pettinari You talked about the synergy-driven EPS growth assumption for fiscal 2026, and I think you talked about that being before taking into account any organic performance in the underlying business.

I guess a couple of questions there.

Is there an underlying assumption that organic growth is going to be positive in fiscal 2026? Or are you not really making any assumptions at all?

And maybe to kind of ask the question another way.

If we are in a much more challenging macro environment in fiscal 2026, can you talk about your ability or your confidence in achieving in a tougher macro environment?

Peter Konieczny Okay, Anthony, I may want to start here and then I'm sure that Michael is going to build.

Before I get back to your question, let me just finish off the other question from Ghansham that I didn't answer, and he actually asked the question about the Berry volume performance. It's a little early for me to be across all the details of the volume performance in the last quarter because we just closed the acquisition right now.

But from a higher level, we're very excited about better growth performance on the Berry side, and I think the answer lies in mix with regards to customer exposure and category exposure. Keep in mind that North American beverage is not a category that Berry operates in. So it's mixed, Ghansham, and I just wanted to make sure that I cover that off.

Now Anthony, to your question, your question was sort of volume guidance for 2026 and what we're assuming for 2026 and what we sort of believe the macroeconomic environment is like. Let me start there. We already in our prepared comments, said that at this point in time we're really just guiding towards the end of the fiscal year, which includes Q4. And the way that we look at this is that we would never make drastically different assumptions in terms of the macroeconomic environment on a very short period of time.

So going from Q3 to Q4, you would always see us pretty much roll forward the macroeconomic environment that we operate in. So we've seen flat volume growth overall on the Amcor side. We've seen a bit of growth on the Berry side.

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We're going to get two months of contribution from Berry in the fourth quarter, and that will get you to a pretty much flat to slightly up volume performance expectation for the fourth quarter. That's the how we triangulate ourselves into the fourth quarter in terms of volumes.

Now with regards to 2026, we're not going to guide today for 2026. We typically do that in August. But what we're pointing to here is that we have a lot of benefits from the combination with Berry. We have an ability because we have been able to close the acquisition in a record time to get our arms around the synergy opportunities two months earlier than what we thought. That will set us up really for a great opportunity to get out of the blocks for 2026 really fast and we have a high level of confidence in the ability to generate the synergies in year 1, which is fiscal 2026 and which amounts to \$260 million. And just if you do the math, that creates an EPS uplift of 12%.

I'll stop there and see if Michael wants to add anything.

Michael Casamento No.

I think you covered it, PK, we feel really confident around the ability to deliver those synergies, and it's not contingent on the macroeconomic environment or the consumer or customer demand. In fact, for Amcor, we see that as a real advantage because we've got self-help in the form of those synergies.

So out of the gate as PK mentioned, we closed earlier, we've got good line of sight to teams who have been working on this synergy delivery by function. So we've got four functional teams set up across SG&A and procurement, operations and growth, dedicated teams working on that and we're going to hit the ground running. So from July 1, we're really confident around the ability to deliver that.

Operator Our next question is from Daniel Kang, CLSA.

Daniel Kang Just an extension on the synergies commentary.

So \$260 million in fiscal year 2026. Just wondering if you can categorize the breakdown of that particularly with regards to procurement, I'm just interested in how the preliminary discussions have gone with key raw material suppliers, any color you can shed on that would be much appreciated.

Michael Casamento I'll start on that one, Daniel.

The \$260 million synergies, we broke out -- as we said, we've broken out the \$650m over three years, a portion from procurement, SG&A, operations and growth. In 2026, I mean clearly, out of the gate, where we have the focus and ability to deliver is, first and foremost, comes from the G&A side.

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So that's typically the first piece you get, on to procurement that will deliver as well, and that will build through the first 12 months and into the second year. Then on the operations side, typically takes a little longer because that's footprint optimization.

That said, we've already identified some areas where we've got overlap. So again, teams have been working on that, and we'll hit the ground running, but they tend to take a little bit more just because you've got to move that work around, et cetera. Then on the growth synergies, again, that's something that typically takes a little longer, but again, a dedicated team on that.

So we haven't called out exactly the mix of the synergy, Daniel, but that kind of gives you a flavor that SG&A typically comes first, procurement comes through and will build, and then you get into the operations and the growth.

Peter Konieczny Yes, and if I add to that, Daniel, I mean we didn't provide and we're not intending to provide a detailed breakdown of the \$260 million in the first year, but Michael gave you some quality here. No question that procurement will be a major contributor. You asked how things are going so far in the conversations look, we may have had some touch points with suppliers, but the level of engagement around that question has been really on a high level, and that is understandable because we hadn't indeed closed the acquisition yet and the suppliers are not really interested to engage in that conversation unless there's something real on the table.

So we'll go into that, I think, a lot more from here on. That said, the teams have been doing all the work that you would expect them to do.

We have clean teams set up that actually have been looking at details and all the work has really put in to a point where we say we're pretty confident with the ability to deliver.

Operator The next question comes from Matt Roberts, Raymond James.

Matthew Roberts Good afternoon and congratulations on the completion of the merger. PK, maybe on the portfolio pruning, you did discuss given that there's weakness in industrial end markets or just broader uncertainty in demand in general in the M&A environment. How has your idea of timing around that pruning changed from when the merger was announced to now? Or when could we expect the incremental color on that portfolio review?

Peter Konieczny Thanks, Matt.

For a couple of calls, I've been very explicit that a little more dynamic portfolio management was an opportunity for the business, even more so now that we have combined ourselves with Berry. I have mentioned before that we have kicked that analysis on, and what we're doing there is just simply taking all of our activities, and we're assessing that against certain criteria, and we've made some sort of progress around it.

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Now the first thing that I will say is we will have to take a look at that assessment in the context of the new combined entity that we're looking at. We have a significant synergy opportunity that we will capture. We have more capabilities at our hands.

We can learn from each other in terms of best practices, and that may have an impact on our assessment of the different businesses and their ability to compete and be successful in the areas where they operate. That's the one thing.

The second thing is, you mentioned also the current environment that we're operating in. Now the environment will not stop us on the initiative per se. So we're going to move on it. We're going to get the assessment done and if really what's behind your question is a question on timing, when can we execute against that.

That's a really hard one to answer, I would say, at this point. Things are changing by the day. The only thing that I can really point to is that we continue to be very disciplined around anything that we do on that end. That's something that I can promise.

Operator We'll take the next question today from Jacob Cakarnis, Jarden Australia.

Jakob Cakarnis Michael, I was just going to focus on the procurement synergies, if I could, please, the 60% of the overall cost synergies that you guys are targeting. Michael and Peter, if I understood correctly, you were saying that, that relied on a combined entity to have those discussions with the suppliers.

So I guess if you could step us through for 2026, is the priority a harmonization of those supplier terms? Then as we turn our minds to 2027, 2028 to hit those EPS accretion targets, is it more about drilling down into the terms of that procurement and potentially looking for some pricing benefits given your new scale, please?

Peter Konieczny Yes. Jakob, I'll have a go at this.

I mean the way it works, having been through these acquisitions at large scales a couple of times there's a very general principle, which is get to the synergies fast or never.

So I'm not sure that you pace yourself in the conversations with suppliers when you particularly look at procurement. You need wait until you can represent a combined spend that's what I meant in my earlier answer.

As long as the acquisition is not closed, you don't really have much to stand on when you enter into the conversation. Now that, that's the case, we can enter into the conversations and have the discussions with our suppliers and that is what's going to happen.

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As we start those discussions it will be across everything. It will be across price. It will be across terms. It will be across a number of different things, then we'll try to make progress as quickly as possible against that. I think that's the way I would want to answer that question.

Michael Casamento If I just add there, if you can put it in perspective, if you remember again, the total addressable spend for the combined entity is around \$13 billion, of which \$10 billion is raw materials.

So when you put that into perspective, it's kind of a 2.5% to 3% impact that we're expecting from the procurement area for the synergies. So that's 1% a year. It's something that's absolutely achievable from where we sit.

Operator George Staphos from Bank of America is up next.

George Staphos Hi, everyone. Good morning, good afternoon. Thanks for the details.

So my question is going to focus on growth, kind of together a lot of what's already been sort of talked about.

So can you, PK, tell us what in particular in the consumer environment and certainly, there's been the volatility with tariffs and so on, but how has that affected your customers' outlook on demand? When in reality, they're producing staples, confectionery items, protein, coffee, how is all the volatility in things that are much more discretionary kind of filtering back into what your customers are thinking about in terms of their outlook for growth. And you need to be, I'm sure, thinking about that because the growth or lack of it is an important variable in terms of your valuation over time. Relatedly to that, what are your customers saying, with the growth outlook decelerating?

I recognize you're only a few days into owning Berry, what would you say the probabilities are and what levers will you use to perhaps see whether those synergy targets are at least achievable, if not conservative at this juncture. You already mentioned that as a percentage of the overall spend, the procurement spend, the revenue of the company, which is over \$20 billion, is a relatively small percentages.

So how should we think about how you'll be able to leverage, perhaps grow what you target, especially with volume growth being relatively flat at the moment.

Peter Konieczny Thanks, George. There was a lot in that question. Let me try to bucket it up in two parts, and I'll invite Michael to come in to share his views too. The first one was, if I understood you correctly, a question of how our customers are performing in this environment and how the uncertainty sort of drives their growth performance. That obviously is, for us, a major factor because our customers' demand drive essentially our ability to sell.

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So we try to be close to our customers in order to understand that, I think if I take a step back, the uncertainty that we have particularly seen in the last quarter in North America, has really driven weakening consumer demand. That's the source of the issue. When you go and try to understand the consumer, you will find the consumers change their behaviors in terms of seeking value in terms of thinking very carefully about where to spend money and what you typically see is that the consumers buy less where they have an opportunity to do so and where you come to the essentials, they would buy different.

Buy different in terms of trading down, buying bulk, going to different channels, and all of that is what we're seeing and what the customers are seeing. From what I've seen and what I've heard from the customers, that is very much aligned with what our customers are actually seeing.

Now that's the one thing that drives the customers. Everybody has uncertainty right now in forecasting demand scenarios. There is a lot of volatility out there, which makes it really hard. In some cases, we get volume forecast from our customers, which do not materialize and we need to deal with that as part of the value chain like everybody else does. But that's the situation that we're seeing. That's bucket number one. Let me stop there and ask Michael if he wants to add anything to that.

Michael Casamento No.

Peter Konieczny Okay. Then I get to the bucket number two, which was more about the question of in this environment, how do we think about synergies and synergy outperformance, particularly. We have been very transparent around the amount of synergies that we expect, which is the \$650 million over a period of three years.

We have made some comments around how we phase that across the years, and we are now currently working on translating that. We have good pipelines in place for every single bucket of those synergies to go after them. I would say, in some cases, the pipelines would suggest that we have more opportunities than what we were thinking about. But they would have to translate in the current environment.

So I'm not comfortable of driving any different expectations than what we have announced. I wouldn't also lock myself into a breakdown by bucket for those synergies. But overall, again, we sit here today, and we're pretty confident that we can get that done.

The final point that I will make is, let's not forget, this is a very volatile situation out there. They've created a situation in North America in a very short period of time by driving uncertainty around the whole tariff situation. And again, even that situation is very volatile.

So we may sit here again in a couple of quarters and look at a different situation that presents itself for ourselves, and that will drive a different view in terms of the operating environment, but all of that will not change our expectations on the synergies. It's been a bit of a long-winded

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answer here, George. I'm sorry for that, but I hope I addressed the underlying question that you had on your mind.

Operator The next question will come from Brook Campbell-Crawford from Barrenjoey.

Brook Campbell-Crawford Just one on the North American beverage business. You've called out high single-digit decline in volume.

I think it was in the quarter on a year-over-year basis. I guess just looking through that, it seems to look like for North American beverage it will be down sort of 20% year-over-year.

So could you maybe just provide a comment if that's a sense or assumption that given that, is there any sort of structural issues going on in that business that need to be discussed at this point?

Peter Konieczny Yes. Let me start with that and try to be more pointed on that question.

I'll start by just contextualizing the volume performance that we've seen high single digits down. I want to make clear that this is pretty much exactly aligned with what we see in the market. So the point of what I just said is it's not an issue of share or share loss.

When you look at scanner data in North America, you take a look at the categories or the subcategories that we participate in, and you keep in mind our customer exposure. You can pretty much tie yourself into the performance of volumes that we've seen in the quarter. So that's the first thing.

The second thing is I'll let Michael comment on how that translates into the bottom line. You also asked a question of is there a structural element to that business. We have owned this business for a long period of time and we have seen a number of cycles in the past. This is a long cycle and an extended cycle, but a lot of things are sort of happening around us and they have different drivers. We, at this point in time are still not ready to call it structural, and it doesn't take much volumes to come back and to improve the overall performance of the business, Michael.

Michael Casamento Just to follow up on it.

In terms of the EBIT performance, Brook, I mean the first thing that we have to take into account is that the prior year EBIT includes the Bericap business, which we disposed in December 2024.

So that was about a \$5 million contribution to EBIT in the prior year. So obviously we don't have that in the current year. Then the rigid overall performance was down about 12% on a comparable constant currency basis. That was really driven by the volume decline, particularly in North American beverage.

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In addition to that, we did build some labor into the business in quarter three, and we would typically do that to build some manning up ahead of the busy season in the June quarter to be able to manage the increased demand there. But obviously we've put that in place, but with the softer-than-expected volume performance in the quarter, that did have an impact on the cost base of the business, which impacted the bottom line in the quarter.

So that's really what drove the 12% decline year-on-year. We would expect some improvement on that as we head into Q4.

Operator Up next, we'll take a question from John Purtell of Macquarie Group.

John Purtell Peter and Michael, just a comment on -- or question around volumes within the quarter. Perhaps what you saw within the quarter and any comment you can make on April which sort of goes to a broader question about your expectations for Q4 and some of the moving parts within that.

Peter Konieczny Yes, John, I sort of mentioned that before, but let me summarize it again.

I guess the new part is that we have seen throughout the quarter, the consumer demand weakening. I think that's a fair comment. I'm not a big fan of discussing volume performance month by month. And I said that before, I don't think it helps a lot. But in this particular case, I think there was a weakening demand through the quarter.

I will say, again, a very much different portfolio between the different regions, a pretty solid demand in terms of our expectations of low to mid-single digits everywhere else. But in North America, we've seen the weakening. Now as I said before, the way we go into the fourth quarter is very much aligned with what we've seen in the third quarter.

We're expecting an overall flat volumes, and Berry came in with a bit of growth in the third quarter, which we were happy to see. We'll keep two months of contribution of Berry in the fourth quarter, assuming now on the same principle, assuming that to sort of continue you would get the fourth quarter to something that is flat to slightly growing.

Operator The next question today is Mike Roxland, Truist Securities.

Michael Roxland Yes. Thank you, PK, Michael, Tracey taking my questions. And congrats on closing the deal and on all the progress. I just wanted to focus on synergies, not to flog a dead horse here, but I wanted to just follow up with you regarding the procurement savings of \$325 million.

Now both you and Berry are some of the largest purchasers globally of resin I don't believe there's a direct overlap maybe in some of the grades, I think you guys may be more heavier to PET, Berry maybe heavier to propylene. There is some overlap on propylene.

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So there you have direct overlap in some things. In addition, the resin producers themselves are under pressure, and I think they'd be somewhere looking to offer normal price concessions given the financial difficulties they're catering.

So would just love to get your thoughts about how you intend to approach the procurement savings, particularly in a more challenging environment on resin.

Then secondly, can you remind us about the vetting process you undertook regarding the cost synergies. How did you determine that these figures were the correct figures in terms of synergies themselves?

Peter Konieczny Yes, Mike, I'll start out and then maybe Michael wants to build. I want to go back to a couple of those data points that we have discussed on prior calls. Michael already mentioned, the combined spend of the company is \$13 billion, \$10 billion of that relates to raw materials.

If you hold that against the expected synergies you get yourself into the range of something like 3% that we're expecting over the three year period and that, of course, needs to go on top of what we typically produce in a year but that's not a tremendous expectation on the procurement synergies. So that's just to contextualize, and we've said that before, and we're very consistent with that.

The second thing that you said is it's very complementary. There is a bit of overlap, but to a large extent, particularly on the resin side, it's pretty complementary. That's actually good because we see Berry, for example, being much stronger on the polypropylene side, Amcor is much stronger on the PET and PE side. That sets us up for an opportunity to just harmonize terms with the larger buyer, and that was one of the levers that we have always been expecting and with all the work that we've done, we feel pretty confident that, that's an opportunity for us. So that's the way how we approach that.

Then maybe the final point is how do we think about generating those synergies in a tougher environment. My expectation is if we are in a volume muted environment, a large buyer has quite a bit of attractiveness to the supply base because we're able to bring critical volumes in order to help load existing capacities. The very final point that I will make is we do have alternatives. It's not that we're locked in to one or two suppliers only. We do have alternatives, and that's what we need to touch.

Michael Casamento And Mike, I'd just pick up on your question, the second part of the question, which is around just a reminder of how we came about the synergy number and shored that up. We put a lot of work in behind the scene on this on both sides actually on the Berry and Amcor side. Obviously we've both got a lot of experience in M&A. We used external consultants to help us benchmark what you should expect in a deal this size and the various components relating to that. We've had the integration teams in place.

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So we stress tested that along the way. Typically, you would see synergy delivery in these type of deals, somewhere around the 5% sales would be the cost synergies. That's where we ended up around -- if you just take the cost in this line of \$530 million, you then got \$60 million of growth and \$60 million on financials.

So we triangulated that from all different ways and broke it out by the various components, we felt really confident around the ability to deliver that number.

Operator Your next question comes from Keith Chau, MST Financial.

Keith Chau So just back on the procurement synergies, I guess the point that some are trying to get to on this call like us, a 3% savings at Amcor over three years may not sound like a lot, but some of these suppliers with margins are EBIT margins, call it, 10% to 15%, you're talking about the 300% -- I'm sorry, 300 basis point haircut to their EBIT margin.

So I guess, the extent to which you can drive procurement and maybe go to alternative suppliers or if some don't play ball.

I just want to refer back to a letter or an e-mail that was sent to your suppliers on the 20th of April, where you've asked them to meet in Chicago.

First one is, it sounds like a bit more of a directive rather than a partnership going forward.

But I just want to understand how many suppliers responded to that e-mail or letter. How many do you expect or proportionately what proportion of your suppliers do you expect to turn up to that meeting?

And what are the consequences to those suppliers if they are not playing ball. Perhaps an extension to that is what proportion of your raw materials, can you have alternate sourcing given the size of the two combined businesses and I get the point that you've been involved in a lot of these large acquisitions, but this one is particularly big.

Peter Konieczny No, Keith, you've sort of said all the right things. This one is particularly big and I've been involved in some of the larger acquisitions, and that's why I'm going to have to tell you, I can't really get any further into that conversation.

We have a playbook and some of those conversations are obviously very sensitive with the suppliers, and we're going to handle it in a very respectful manner and we have a business interest to represent here, and that's what we're going to do.

So I understand the question, but I would understand also and would ask for some understanding that this is really a level of detail that I don't want to handle on this call.

Operator Next is Nathan Reilly, UBS.

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Nathan Reilly Look, we've been hearing a little bit more about the North American consumers value-seeking behaviors right now.

So can you please talk to how your merged flexibles portfolio was positioned to respond to that shift in consumer behavior, just particularly in terms of any shift to private label, smaller portion sizes, or anything else we should be thinking about on that shifting behaviour?

Peter Konieczny Yes, Nathan, this is a good one.

We see a couple of things that we can respond to and one that I want to carve out here is when you think about value-seeking behavior in the direction of going potentially to non-branded product alternatives. That is something like on the private label side, that's certainly something that you could expect the consumers to do. We have a good participation in that category.

In North America, we're pretty much proportionally represented. The reality is that the packaging formats that we're actually selling, whether it's branded or private label, are very similar. They end up being very similar.

So one of the things that we take away from that is expanding our participation in those areas where consumers will turn to, and that is certainly something that we do. Again, North America that is pretty well established.

In other regions, we may have some opportunities here and there, and we would be driving that.

Operator Next up is Sam Seow, Citi.

Samuel Seow Just on North American beverage. Just wondering, is there any numbers you can give us around the net exposure of North American beverage in the combined business? And going forward, when you think about pruning, is that just Berry businesses you're looking at? Or is there some Amcor service there as well?

Peter Konieczny If I go backwards, we're definitely looking at pruning all of the portfolio in the context of the combined company. So that's a new one for going forward. It has nothing to do with carving out either legacy Berry or legacy Amcor. So that's a clear answer on the second question.

On the first one, I'm not sure I fully understood the question, but I just want to make very clear, the Containers and Closers business from Berry has no participation in the North American beverage category. That's an Amcor question. Let me just see with Michael here if he heard the question differently.

Michael Casamento Yes. No. That's right.

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I think the exposure on the beverage side, for us, it's really the Amcor legacy, Amcor business has \$1.5 billion kind of revenue into the beverage space and Berry really is nothing. So that's the exposure.

Operator We'll take the next question from Cameron McDonald E&P.

Cameron McDonald Just wanted to touch on the below-the-line costs.

So with the early integration of Berry, it looks like you've taken \$26 million already below the line.

What's the expectation for that relative to the fourth quarter? And can we confirm then that that's part of the \$280 million, so that in fiscal year 2026 and beyond that, whatever is incurred in this quarter and the next quarter is a reduction to that \$280 million in the following years?

Michael Casamento Yes. Look, just to put some clarity on that. There's a couple of things going on in that line. So firstly, there's transaction costs. For a deal of this size, you'd expect the transaction cost kind of 1.5% to 2% of the enterprise value. So call it \$250 million to \$300 million, part of which would end up in the Berry perimeter and the balance in Amcor.

So what we've seen to date by the line. I think there's about \$36 million in that year-to-date, of which two-thirds - \$28 million to \$30 million is actual transaction costs. So that's things like legal fees, consultant fees, financing charges. So we've got more of that to come through, and that will come through in the next couple of quarters.

In addition to that, over the 3-year period, we're going to have around \$280 million of cash costs relating to the cost to achieve again, which we'll call those out as we progress that over the term.

Operator Next up, we'll take a question from Arun Viswanathan, RBC Capital Markets.

Arun Viswanathan Congrats on closing the merger.

I guess I had two questions. So first off, going back to the growth side, Berry, I think struggled with low single-digit volume growth for the last few years, they did start to have some line of sight to that going forward, but it was somewhat elusive.

So maybe you can just comment on if that's something that you see that's still within the crosshairs for the combined company?

And then secondly, on the procurement side, I appreciate the math on the 2% to 3% reduction there in that square with the synergy guidance.

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But is this a little bit surprising given that Berry was already such a large buyer of resin as you were as well. And so I think you mentioned that there are many other terms that you can kind of work through to achieve those synergies.

So can you just confirm that it's not just price, could maybe long-term supply agreements or whatever else to get those?

Peter Konieczny Yes. Let me work through that. On the growth side, I would probably agree with the assessment of previous growth profile, low single-digit growth. We have seen that.

I would say that it's not much different from what Amcor has seen over long periods of time. We are going to have an opportunity as we combine the company to drive that into higher levels on a sustainable basis. The portfolio realignment and pruning will certainly help on that end.

We have a broader product portfolio that we can offer to customers at scale and globally. We have leverage opportunities in the products that we talked about. Think about the established base of Amcor in Latin America and Asia Pacific and the Berry products that we can sell through the existing network.

I would say those are the most important levers that we see plus the innovation capabilities that we now have on a combined basis to drive functionality but particularly also sustainability as we go forward. That will differentiate our product portfolio going forward.

So those are the four big levers that I would see to get ourselves into a stronger growth trajectory going forward, and we have made that a real priority for the company. So that's the growth side.

On the procurement side, look, I don't know how much I can add to this, to be honest with you. I think the most important thing that we have is, it's a very complementary buy and the party that has the bigger scale typically has the better terms. And that is something that we can roll out as we combine the two companies. So think in that direction because there is real value there.

Now in terms of terms, yes, there is more than price and other things that you can look at. No question, and we will have to take a comprehensive approach. We'll do all the things that you have at your fingertips to drive the conversation, and we're not against long-term supplier relationships, if that drives mutual value on both sides.

Operator Everyone, that is all the time we have for questions today. This does conclude our question and answer session.

I will now hand things back to PK for additional or closing remarks.

Peter Konieczny Yes. Thank you, Operator.

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Look, thanks for the interest to everybody here on the call. I just want to make a comment here in closing. With the merger now completed, Amcor really is better positioned than ever to meet customer and consumer needs as the markets continue to evolve.

We are really thrilled to welcome our new colleagues, customers and shareholders, and as far as I'm concerned, this is day one of an exciting and an incredibly strong future for Amcor and all our stakeholders. Thank you, Operator, please close the call.