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Amcor Fiscal 2026 Third Quarter Results
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CORPORATE SPEAKERS:

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Stephen Scherger

Amcor Plc; Chief Financial Officer

PARTICIPANTS:

Ghansham Panjabi *Baird; Analyst*

Jeffrey Zekauskas *JP Morgan; Analyst*

Ramoun Lazar *Jefferies; Analyst*

Michael Roxland *Truist Securities; Analyst*

John Purtell *Macquarie; Analyst*

Matthew Roberts *Raymond James; Analyst*

George Staphos *Bank of America Securities; Analyst*

Nathan Reilly *UBS; Analyst*

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PRESENTATION:

Operator Hello, everyone. Thank you for joining us. Welcome to the Amcor Third Quarter Results 2026. (Operator Instructions). I will now hand the conference over to Tracey Whitehead, Head of Investor Relations. Tracey, please go ahead.

Tracey Whitehead Thank you, Operator. Thank you, everyone, for joining Amcor's fiscal 2026 third quarter earnings call. Joining today is Peter Konieczny, Chief Executive Officer, and Steve Scherger, Chief Financial Officer.

Before I hand over, let me note a few items. On our website, www.amcor.com, under the Investors section, you'll find today's press release and presentation which we will discuss on this call. Please be aware that we'll 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 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-ups.

With that, over to you, PK.

Peter Konieczny Thank you, Tracey, and thanks to everyone for joining us as we review Amcor's fiscal 2026 third quarter results.

As always, on Slide 3, we will start with safety, our number one priority. The health and well-being of our colleagues remain a core value at Amcor, and that commitment will not change.

In Q3, we continued to deliver industry-leading safety performance, 71% of our sites remained injury-free through the quarter. Our total recordable incident rate at 0.49 is a modest increase compared with last year's performance. This is not unusual after we acquire businesses, and we are pleased to see this key metric improve for the third consecutive quarter following the Berry acquisition.

Slide 4 highlights the key messages for today. First, I want to take a moment to highlight an important milestone. We've just reached the first anniversary of the combination between legacy Amcor and Berry. Reflecting on the past year, I'm genuinely pleased with the progress we've made on the initiatives we set out to achieve. The integration process itself went very smoothly. We kept our colleagues safe, maintained a strong focus on our customers and structured the organization around a robust leadership team, allowing us to quickly deliver on the synergy commitments we made.

In addition, we were swift in identifying noncore businesses, and I'm happy to report that we're making substantial progress on those divestitures.

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We're navigating through a challenging and ever-changing environment, but it is clear that our uniquely positioned, diversified global portfolio and the strength of our customer and supplier relationships have positioned us well. Our ability to stay focused on what we can control and execute effectively continues to drive resilient financial results.

In the face of the Middle East conflict, securing supply and responsibly managing costs and pricing to counter inflation are key priorities for us, just as we've done successfully in the past. We have again taken swift action, and as such, we're not expecting the Middle East conflict to have any material impact on our Q4 earnings.

We're confident in the underlying strength of our business, and that assurance comes from always putting our customers at the center of our decisions. Additionally, we're excited about the significant opportunities ahead as we work to realize the additional synergy benefits identified from the integration of legacy Amcor and Berry.

Second, our financial performance in the third quarter was in line with expectations. Adjusted EPS of \$0.96 per share was up 6% year-over-year. For the first nine months, adjusted EPS increased 11% to \$2.79 per share.

Our ability to continue growing earnings through turbulent economic times reflects our focus on execution, synergies, cost and productivity improvements and responsible pricing actions, while responding quickly and in a coordinated way as global market conditions abruptly change.

I am proud of the way our teams around the world have come together again to face challenges with energy, agility and maturity. We are leveraging the unique position of Amcor's strengthened global portfolio to meet evolving customer needs.

Our core portfolio continues to perform, with another quarter of strong synergy capture and earnings stability in a modestly challenging volume environment. We are pleased to see a step-up in financial performance across our noncore businesses, which we anticipated and discussed last quarter.

Third, we made important progress on our portfolio optimization actions with four additional sale agreements reached over the last three months, adding to the two agreements previously announced in Q1. The combined transaction value from these six divestitures is approximately \$500 million. All cash proceeds will be used to reduce debt, consistent with the capital allocation priorities we have highlighted over the last several quarters. These actions sharpen our focus on higher return and higher growth opportunities across the \$20 billion core portfolio as we continue to improve the overall quality, resilience and earnings profile of the business.

Fourth, synergy delivery continues to accelerate, reaching \$77 million in the quarter and \$170 million for the first nine months. Our proven integration capabilities, a strong synergy pipeline and consistent delivery at the upper end of expectations leaves us confident we will deliver \$270 million of synergies in fiscal 2026, ahead of our initial \$260 million year-one target.

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And finally, we expect adjusted EPS to be in the range of \$3.98 to \$4.03 per share for fiscal year 2026, representing strong growth of roughly 12% at the midpoint, driven primarily by synergy realization.

We have experience in successfully navigating supply disruptions and resulting inflation, and we do not expect the current conflict in the Middle East to have a material impact on Q4 earnings. The midpoint of our Q4 adjusted EPS implies more than 20% year-over-year growth and reflects the near full lap of the Berry acquisition on May 1.

With input cost inflation significantly exceeding historical norms, our teams have acted fast, implementing responsible price and cost actions to maintain expected dollar earnings as we have in the past.

In this environment, continuity of supply is a critical priority for our customers. To meet that need, we have made choices about working capital management, primarily inventory, through the fourth quarter. This will impact the timing of our previously assumed fiscal 2026 working capital improvements, and as a result, we now expect free cash flow to be in the range of \$1.5 billion to \$1.6 billion. Steve will talk more about the actions we have taken and the temporary impact on free cash flow in more detail shortly.

Turning now to Slide 5 and financial performance for the third quarter and year-to-date. The business generated quarterly revenue of \$5.9 billion, EBITDA of \$892 million and EBIT of \$687 million. This is significantly higher than the prior year as a result of the Berry acquisition, disciplined cost management, improved productivity and accelerating synergy benefits.

Adjusted EPS increased 6% to \$0.96 per share for the quarter, in line with our expectations. This includes benefits from tax-related synergies that lowered our effective tax rate, partially offset by a \$25 million unfavorable impact related to the January and February winter storms in the U.S. After funding \$78 million of Berry transaction, restructuring and integration-related cash costs, free cash outflow was \$39 million for the quarter.

Today, the Board also declared a quarterly dividend of \$0.65 per share, which is modestly up over the prior year and aligned with our capital allocation framework and long-term commitment to annualized dividend growth.

Moving to Slide 6. Taking advantage of a unique opportunity to optimize the portfolio was one of the key commitments we highlighted after announcing the Berry acquisition. As mentioned earlier, we're making important progress and have now closed or reached agreements for the divestiture of six noncore businesses, representing approximately \$500 million of combined annual revenue.

A combined transaction value of approximately \$500 million implies an average multiple of around 6x. In line with our previous commitments, all cash proceeds will be used to reduce debt and the net impact on EPS is not expected to be material.

We're making good progress, exploring alternatives for the remaining noncore businesses, including further encouraging discussions related to the North American beverage business.

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As mentioned, financial performance across the noncore businesses improved in the third quarter as expected, supporting our confidence that the remaining noncore businesses will be divested in line with our commitments.

With that, I turn the call over to Steve.

Stephen Scherger Thank you, PK. Let me start on Slide 7 with an update on our synergy progress.

Synergy delivery continued to accelerate in the third quarter, and we continue to expect to exceed our initial year one target of \$260 million. In Q3, we delivered approximately \$77 million of synergies, and for the first nine months, synergies totaled approximately \$170 million. We are confident that we will deliver \$270 million in fiscal 2026 and \$650 million cumulatively over three years.

G&A and procurement synergies continue to ramp up as planned, and we have clear line of sight to achieving our targets of approximately \$160 million in year one and approximately \$325 million by fiscal 2028. We have started to see a modest contribution from operational synergies and the majority of these benefits are expected to contribute to earnings growth in years two and three.

Financial synergies were approximately \$20 million for the quarter and \$30 million for the first nine months, reflecting ongoing optimization of our debt and tax structures.

Finally, growth synergies continue to track well against our \$280 million three-year annualized revenue target, with annualized revenue now exceeding \$110 million. Third quarter earnings benefited by a few million dollars as a result of these wins, which are expected to ramp up further in the second half of calendar 2026.

Moving to Slide 8, which highlights the performance of our \$20 billion core portfolio.

As a reminder, the core portfolio includes six focus categories: healthcare, beauty and wellness, proteins, liquids, foodservice and pet care. These represent approximately 50% of core portfolio sales. Focused category volume performance continues to exceed the portfolio average. These represent the most attractive, defensible and innovation-led markets where we hold leadership positions, where advanced solutions drive differentiation and where long-term consumer demand is most durable.

From a performance standpoint, the core portfolio continues to outperform the total company. While overall volumes were similar, down approximately 1.5% in the quarter, the core portfolio maintained stronger EBIT margins of approximately 12.3%, reflecting favorable mix, a higher concentration of advanced solutions and the benefit of year-one synergies.

Volume and financial performance in the noncore business improved, as PK mentioned, with margins expanding meaningfully on a sequential basis. Year-to-date across the core portfolio EBIT dollars were up approximately 4% relative to last year despite modestly lower volumes.

As we simplify and focus the business, exit noncore businesses and invest in our focus categories, the overall growth profile, quality and resilience of Amcor will continue to improve.

Turning to Slide 9 and the Global Flexible Packaging Solutions segment.

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Sales for the segment increased 29% on a constant currency basis, driven primarily by the Berry acquisition. On a comparable basis, volumes were down approximately 1.5%, an improvement of 100 basis points compared with Q2.

In the developed markets of North America and Europe, volumes were down low single digits compared with the prior year and similar overall to the second quarter. Volumes across emerging markets were up, mainly reflecting mid-single-digit growth in Asia.

By market category, volumes were higher in pet food and proteins, offset by lower volumes in healthcare and other nutrition. Adjusted EBIT was up 28% on a constant currency basis to \$452 million, driven by \$78 million of acquired earnings, net of divestitures.

On a comparable basis, adjusted EBIT was up approximately 3% and adjusted EBIT margin of 13.9% reflects synergy benefits in line with our expectations. Excluding synergies, comparable earnings were broadly in line with the prior year.

Turning to Slide 10 and the Global Rigid Packaging Solutions segment. Sales for this segment increased significantly on a constant currency basis, mainly as a result of the Berry acquisition.

On a comparable basis, volumes were down approximately 1.5% in both the core and noncore businesses. This was modestly weaker sequentially due largely to the winter storm impact in the U.S. The business continued to deliver volume growth across emerging markets, mainly reflecting mid-single-digit growth in Latin America.

By market category, volumes were higher in liquids, foodservice and beauty and wellness, offset by declines in healthcare and other nutrition. Adjusted EBIT was \$276 million, up over last year on a constant currency basis, driven by approximately \$175 million of acquired earnings net of divestitures.

On a comparable basis and excluding noncore businesses, adjusted EBIT was broadly in line with the prior year. Synergy benefits were offset by an unfavorable \$25 million impact from the winter storms in January and February. A concentration of plants in the most weather-impacted areas across the Midwest and Northeast resulted in a large number of lost production days. Adjusted EBIT margin, excluding winter storm impact, was approximately 13%, 100 basis points higher than the second quarter.

Moving to free cash flow and the balance sheet on Slide 11.

After funding \$78 million of Berry transaction, restructuring and integration-related cash costs, free cash outflow for the quarter was \$39 million, broadly in line with our range of expectations for the quarter and resulting in a nine-month outflow of \$93 million. Capital spending of \$687 million is up compared with the prior year, and we continue to expect fiscal 2026 capital spending to be in the range of \$850 million to \$900 million.

Adjusted leverage at the end of the quarter was 3.8x. This is aligned with our expectations and consistent with prior year sequential movements between the second and third quarters. Stronger fourth quarter free cash flow is expected to drive this metric down at fiscal year-end.

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Our commitment to an investment-grade credit rating, a strong balance sheet and a modestly growing dividend annually remains unchanged. Substantial annual free cash flow generation fully supports our capital allocation priorities.

Turning to Slide 12. As PK stated, we are uniquely positioned and proactively mitigating the impact of the Middle East conflict. We are well positioned to support our customers through reliable supply and service. We have no operations in and minimal polymer sourcing from the region.

Our broad global network and supplier base gives us important flexibility to source materials from different regions and suppliers and flex production locations. We also have the capabilities to quickly reformulate and qualify alternative structures. These factors, together with making a choice to hold more inventory than we previously assumed, help us ensure supply continuity for our customers.

We have a well-established pass-through mechanism in place, which functions effectively in a business-as-usual environment. When conditions move outside normal operating ranges, additional actions can and should be implemented to fairly reflect higher cost in our pricing.

Our teams have acted quickly to mitigate cost inflation with balanced and fair price actions. In prior cycles, this approach enabled us to successfully mitigate the impact of substantial inflation with very minimal earnings implications.

Moving to our fiscal 2026 guidance on Slide 13.

As PK highlighted earlier, we expect full-year adjusted EPS to be in the range of \$3.98 to \$4.03 per share. This implies fourth quarter adjusted EPS growth of approximately 20% and will result in EPS growth of approximately 12% for fiscal 2026. Earnings growth will be driven primarily by synergy capture and strong execution.

We expect fiscal 2026 free cash flow of \$1.5 billion to \$1.6 billion including the impact of our decision to hold more inventory at higher costs. This compares with original guidance of \$1.8 billion to \$1.9 billion, which assumed a meaningful reduction in working capital in Q4.

As supply conditions normalize, we expect to deliver the inventory and working capital improvements we previously anticipated, reversing the temporary timing impact we have now factored into our range. Taking into account updated earnings and free cash flow expectations, we now expect year-end leverage to be approximately 3.4x to 3.5x.

Importantly, our commitment to deleveraging and to an investment-grade balance sheet has not changed. We remain confident in our ability to deliver significant and growing annual free cash flow, and we continue to see a clear pathway to operating within a 2.5x to 3x leverage range.

Before handing the call back to PK, I would like to briefly highlight an announcement we made earlier today. Effective in 2027, we will transition our fiscal year-end from June 30 to December 31. We believe this change will enhance comparability with peers and simplify modeling for investors and analysts.

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Our first full calendar fiscal year will begin on January 1, 2027, and end on December 31, 2027. As part of this transition, we will have a six-month reporting period from July 1, 2026, through December 31, 2026, and we plan to provide guidance for this transition period alongside our June 2026 Q4 and full-year results in August.

In addition, beginning in 2027, we will initiate the migration and consolidation of select corporate functions to a new U.S. headquarters in Miami, Florida, aligning resources more closely with our operating footprint. Switzerland and Australia will remain important parts of our corporate footprint as key hubs for our business.

With that, I'll hand the call back to PK.

Peter Konieczny Thanks, Steve. To close, in spite of challenging market dynamics, Amcor is a uniquely positioned global packaging leader, and we are proactively mitigating impacts of the Middle East conflict.

Execution remains disciplined and Q3 results were resilient and in line with expectations. Portfolio optimization continues to progress, sharpening our focus on higher value, more resilient end markets and improving the overall earnings profile of the business.

Synergies are tracking well and we expect to exceed our initial year-one commitment. With clear visibility to additional synergy benefits and a proven ability to navigate through volatility, we're confident in our outlook and the continued strength of our business.

That concludes our prepared remarks. Operator, please open the line for questions.

Q&A:

Operator (Operator Instructions) Your first question comes from the line of Ghansham Panjabi with Baird.

Ghansham Panjabi Just going back to your comments on the Middle East impact on 4Q, which sounds immaterial. Can you just give us a sense as to whether there'll be any residual impact on the back half of 2026 from a calendar year standpoint?

The reason I ask is, obviously resin is up close to 100% in a very short period of time, and legacy Amcor had a pretty good track record of passing it through quickly, but Berry as a public company did have lags in their contract structure, et cetera.

So just curious as to what's changed and how you've been able to mitigate the impact?

Peter Konieczny Ghansham, this is PK. It's a good question. Let me provide a bit of background here.

So first off, I think it's important for us to keep in mind that the collective new Amcor, between legacy Berry and Amcor, does not really have a lot of exposure to the Middle East. We have no operations in the Middle East nor do we have any employees, and we actually source very little resin from the Middle East. Actually, it's less than 5% of sourced resin from that region.

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So – now, we are operating in a global market, and therefore we do have the two challenges of, one, keeping ourselves in supply and our customers in supply, and on the other hand, dealing with the inflation.

Now, you're asking for the impact of inflation post the fourth quarter. The fourth quarter, we've essentially, pretty much covered in our introductory comments.

Here's the reality. First off, nobody knows what the inflation in the back half of the year is going to be like. We have a view on the fourth quarter, but there's lots of volatility out there.

I would just be speculating right now to throw an inflation number out there. That's also important in terms of how to take the information on the fourth quarter. I'd be very, very careful and would suggest that nobody just annualizes that number because of the volatility that we're seeing.

So I don't know what the inflation is. What I do know is the process that we are following in a very structured and disciplined way.

Somewhere in our prepared comments, we said we didn't really have any impact of the Middle East on the third quarter. Financially, that is true. We had a significant impact in the third quarter from the Middle East in terms of our managerial activities that kicked into gear as we saw the Middle East crisis develop. And the big efforts were on both sides, securing supply and then also going to customers and making sure that we would be able to offset the inflation.

Now on that part, keep in mind that the combined business between Amcor and Berry roughly splits between 70% and 30% of contracted versus noncontracted business. The 30% is something that we handle through general price increases.

So we're able to go to the market pretty quickly and recover that.

On the 70%, we have pretty good pass-through clauses, some of which have -- or I would say generally, they have all become even better after we've gone through significant inflation periods in the past, recall 2022, 2023. But they're all designed for business-as-usual situations.

Now what we're doing here, and that is across the whole portfolio is we're going to customers on the back of a collaborative approach. This is driven by keeping everybody in supply, which is a significant concern across the whole value chain.

We justify the additional cost that we have, and we're able to sit and come to conclusions in terms of relief, which is appropriate and matches the inflation and also appropriate in terms of the timing. That's the way how we go about it, and we do that across the portfolio.

Stephen Scherger And Ghansham, it's Steve. Just to follow on with PK.

In terms of beyond Q4, our planning assumption is that our pass-through mechanisms and the relationships we have with our customers will continue to offset the cost environment.

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So on a Q4 basis, as we talked, no material impact, and that would be the same assumption as we look beyond Q4, given the mechanisms that are in place to offset either in an inflationary environment or if it were to revert to the other direction. So as you look beyond Q4, that's the assumption for a continuation of an offset.

Operator Your next question comes from the line of Jeff Zekauskas with JP Morgan.

Jeffrey Zekauskas You talked about your inventories rising and your free cash flow moving down by about \$300 million. That's really a one quarter effect. I would imagine that your inventories have to be relatively higher over the next several quarters. So as a base case, should we also expect some kind of free cash flow penalty in the four quarters that follow the June quarter of 2026?

Stephen Scherger Jeff, it's Steve. I'll be glad to take a cut at that. I think relative to our prior guidance, which assumed an inventory reduction, which was what we were planning to do, you're absolutely right. We are maintaining inventory levels volumetrically, if you will, and the cash flow implications are driven by the inflation on the inventory. So that is the Q4 impact that we're sharing with you.

Moving beyond Q4, I think it will depend. Obviously if the markets stabilize relative to supply chains and value, the cash flow implications could be modest on a move-forward basis. So I think it's probably a little unpredictable to determine whether that cash flow impact continues to rise or stabilizes as the supply chains stabilize. So I think I wouldn't necessarily assume that there's an ongoing cash flow headwind. I think it will depend upon supply chain normalization in the environment.

Operator Your next question comes from the line of Ramoun Lazar with Jefferies.

Ramoun Lazar Maybe if you can shed some light on how you're seeing the consumer through your customers, particularly given some of those recent cost impacts on the consumer. I guess maybe if you can talk us through how the quarter panned out, that would be useful.

Peter Konieczny I'll take that, Ramoun. I'll talk to the quarter first and then make a couple of comments on the consumers, if that's okay. So the quarter that we're referring to is the third quarter, obviously, which is the one that we're reporting on. We made a couple of comments already, but I'll try to give it my spin here and summarize it.

So the company was down 1.5% in the third quarter, and that is 100 basis points improvement sequentially versus the prior quarter. The 1.5% is equally split between the core and the noncore business. So the core was 1.5% down and pretty much on the same level as in the prior quarter.

So we've seen a substantial improvement in the noncore business in terms of volumes. They were high single digits down in the prior quarter, second quarter and now 1.5% down in the third quarter. So very pleased with that.

That actually has driven also a significant improvement in the financial results of the noncore business, which was expected by us and is important also in the context of the progress that we're seeing in terms of selling it.

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Now back to the volumes. If I double-click on that by geography, North America and everything that I'm now saying is just focused on the core business.

So North America is a little weaker than it has been in the second quarter, and that is due to the winter storm situation that we've seen in January and then to a lesser effect in February and hit particularly the Rigid business. Europe is better than in the prior quarter sequentially, very low single digits down.

We've seen our emerging markets actually kick back in and come back to growth with mid-single-digit growth across both regions, LatAm and Asia Pacific. Final comment is that the focus categories in the core business outperformed the company overall by about 150 basis points. So they're collectively flat.

So that's the commentary on the quarter. When I think about the consumer, look, we think the third quarter was probably not that much impacted by the Middle East crisis and that the inflation hasn't found its way through to the consumer. I think it will be prudent to assume that it will happen over time.

The consumer, we've talked about it many times in prior quarters, is stretched as a result of that value seeking. The last thing that the consumer is looking for is additional inflation at this point in time.

What I will say, though, is that our customers have performed actually quite well in the third quarter. When you take a look at their performance, it's encouraging. There is also a continued commitment to supporting volumes across the customer base, which I find encouraging, and we'll have to see how that plays out. Obviously, again, that goes against a consumer that's already stretched, and we'll have to see how that plays out.

Our best guess at this point in time is -- and that applies to the fourth quarter, at very high level, I would also say that about the second half of the calendar year would be that the market, the consumer will be down low single digits. That's our high-level base assumption.

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

Michael Roxland PK, you mentioned continuity of supply critical for your customers. So obviously it's one of the reasons you're keeping the inventory elevated. We've heard that from other companies during reporting season thus far. Coming at it from a different angle, have you been able to gain any share given your global presence and product availability?

Peter Konieczny Thanks, Mike. It's a great question.

First off, I believe that we're pretty well positioned in terms of supplies and the reason for that is that we have a broad supply network across the globe.

I was making a comment earlier that we buy very little from the Middle East region, less than 5%. Another reference point is that we buy about 65% of our resin from North America, or in North America, where the supply chain obviously is more stable.

We do have a global procurement team, obviously. We have the opportunities to swing volumes between suppliers because we are, in many cases, qualified across different formulations. Even when that's not the case, we have an excellent technical capability in order to get to qualifications quickly.

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So that is probably the core -- those are the core reasons why we feel good about our supplies right now. While I will not hide from you that we're laser-focused on it because we want to keep our customers, obviously, in supply.

Now to the question of share gain, it's probably a bit early still. The only thing I can tell you is that in some cases, we have heard -- we've had conversations with customers that came to us and said, hey, can you help out because we are seeing some issues with incumbent suppliers in some cases, and we obviously try to help where we can, and that gives you an indication, but I will say overall, it's still early.

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

John Purtell Steve and PK, just had a question on the gearing, Steve, and just how you see it profiling over the next 12 months. In particular, what are the key drivers that you see to drive that gearing back to target?

Stephen Scherger Yes, John. I appreciate you raising that. As we shared, a modest uptick in our year-end leverage from our original guidance, a range now 3.4x to 3.5x, pretty well-chronicled in terms of the modest movements up there relative to the original guidance. It's a combination of modestly less EBITDA from the original guidance, given our volumes have been down 2% versus an original guidance assuming more flattish, and then the impact of the inventory, the \$300 million. So that's a bit of the march towards the end of the year.

I think, very importantly, our commitment to our investment-grade rating, our commitment to deleveraging back to 3x or below is absolute. Given the actions that we're taking both in the form of the divestitures that we've completed, those which we expect to complete, as well as continued synergy capture as we look out over the next 12 to 18 months, we can see line of sight back towards that 3x leverage range as we look out towards the new fiscal and calendar 2027.

So while there's some short-term temporary impacts, it really hasn't altered our conviction and line of sight to deleveraging using our cash flows as well as our divestiture cash inbound to move ourselves towards that 3x and below. I think the new fiscal calendar 2027 will be an important year for that inflection.

Operator Your next question comes from the line of Matt Roberts with Raymond James.

Matthew Roberts We might have a new fellow Floridian soon. So welcome. PK, the color you gave on volumes previously to a question just a minute ago, could you maybe provide a bit more color on how the March exit rate looked versus what you saw in April? Was there any evidence of prebuying in certain markets given those cost increases that you discussed?

Then additionally, maybe on nutrition and food service, are you seeing any changes in the promotional environment that could help drive sequential improvement?

Or just what's driving your assumptions?

Peter Konieczny Yes, Matt. The line was a bit choppy there, but I think I got it all.

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So first off, you asked for the exit volumes in March and what we're seeing in April. I don't really like to comment too much on short-term volume performances of the business or anything that goes back to a month, I think it's very risky to read too much into it.

What I will tell you is on the back of what I mentioned earlier, too, we're expecting the fourth quarter to play out pretty much in terms of volumes just like what we've seen in the third quarter.

So that's our assumption. I will tell you that as we sit here today and we look back to April, April looked better than that. That doesn't change our expectations at this point in time, but it's just a fact.

When you ask me where that comes from, I'm not across it enough at this point in time to really give an indication here in terms of whether our customers are trying to increase stock a bit on the back of the overall situation. That could be the case, but I don't think it's a lot. I will also remind everybody that the supply chain is tight. So whenever they're asking these questions, you have to make sure that you're actually in the position to respond to that and to satisfy that request. So that's the situation on March and April.

I think at the end, you also spoke about promotional activities and -- in general. I made a comment earlier and I said we're very encouraged with what we're hearing from our large customers in their own results, earnings results. We hear what you hear, and the commitment to supporting their volumes continues to be very solid. That, I guess, will also translate into different initiatives, one of them being the promotional activities.

So we are carefully listening to that and wondering how they deal with it in terms of making choices between protecting margins and driving volumes. But I think we're in a position where we see more consistency on that.

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

George Staphos Appreciate the details. A lot of my questions have already been answered. My question, I want to go back to how you and your customers are mitigating the resin effect. On the additional pricing, PK and Steve, that you're contemplating with customers, are these really an aggregation of one-off discussions? Or are you triggering any extraordinary clauses in your contracts so it's a little bit more mechanical than negotiation?

How much does the extra inventory that you've built in not only allow for supply continuity, but maybe act as a buffer against the higher resin pricing and allowing you to, thus far from what we're hearing, Steve, manage second half -- or excuse me, the stub year relatively consistently with what you're seeing in the fourth quarter, which is not that big of an effect?

Peter Konieczny George, I'll take the first part of your question, and then maybe Steve handles the inventory part, if that's okay. You were going back to the dynamics that we're seeing currently in dealing with our customers in order to get offset for the inflation.

As I said before 30% is not contracted, so that's not the issue. 70% is contracted. In that 70%, we have a few contracts where we have opening clauses which we can refer to given the situation that we're

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currently seeing. This is all with a common understanding that this is not business as usual, what is happening. But it is an exception rather than a rule.

The other conversations, I go back to what I said earlier, they are conversations on a very collaborative approach with the customers where everybody understands we're seeing significant inflation hitting the business really hard in a very short period of time.

We believe ourselves, we have made it very clear and everybody understands that in our business, we need to have an alignment on the commercial side between the buy and the sell side. Therefore that requires support and help from our customers in order to keep us in business and make sure that we can supply them going forward. That's really the common interest driver that gets us to the table.

This is not a one-off conversation. You can call it a one-off and it's not a one-off because as the situation changes with regards to inflation, we will have continued dialogue with the customers in order to adjust ourselves to the market side of our inputs. So everybody understands, it's not a one-off. It's not a destination here. It's a journey. So with that said, Steve, if you want to comment on the inventory side?

Stephen Scherger Yes. Thanks, PK. I think George, it's a good question just relative to our inventory.

As mentioned earlier, we're not building necessarily volume of inventory. We're more maintaining what we had as opposed to the guidance of it declining, and obviously we're carrying it at a higher cost.

But to your point, what it does allow us to do, because we had ample inventory at a volume level, is to mitigate some of the timing of some of the cost increases, and those get factored into the collaborative conversations that PK was referencing with customers.

We're working to be just very fair and very reliable and very consistent on servicing our customers and having the pricing that we execute with them, be in line with the actual realities of how pricing is coming through the business. As you indicate, some of the inventory that you have helps to mitigate. It also helps to mitigate some of the pace of the pricing and our intent for that to continue to be offset as we see movement.

So it does actually help with those negotiations, those discussions with customers because we're able to mitigate some of the abruptness of what we're seeing on the cost side, and it's all part of that good, collaborative dialogue with customers to help keep them in supply.

Operator Your next question comes from the line of Nathan Reilly with UBS.

Nathan Reilly Just a question about the synergy target as we roll into 2027. Obviously you've got the challenges in relation to tighter procurement and supply chains, and of course, I guess a more uncertain consumer environment just given the volatility and the potential for inflation.

Can you just talk to me about how that impacts your ability to deliver on the procurement and also the growth synergy targets into FY 2027?

Peter Konieczny Nathan, it's PK. I'll kick off here, and then I'll see if Steve wants to build.

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So first off, taking a step back, we reconfirmed our target of \$650 million synergies over a period of three years, and we're guiding to a year-one result in synergies, which exceeds our expectations of \$270 million.

That number in year one has a significant contribution of procurement in there. Otherwise, we would have not gotten there. That was delivered in a situation where we were facing the supply side. We have many conversations on these calls before that with facing a pretty low margin situation on the supply side.

As we go forward, particularly with regards to procurement, we're going to see a different situation. A lot of inflation is happening. I would assume that the margin situation on the supply side is going to somewhat improve.

We just believe that we will continue to be able to extract value. That is on the back of certain characteristics that Amcor now has that we had in the past and that we will have going forward. That is, we are a big buyer. We're a global buyer, and we're important to our suppliers. Therefore, the confidence in extracting synergies from the resin side has not changed.

I will also say, and this is important for calibration, we've said this many times, resin is a portion of our procurement spend, right? We have, overall, \$13 billion procurement spend; \$3 billion of that is indirect. From the remaining \$10 billion, about half of that would be resin. So the other half is non-resin, a direct spend from procurement. Overall, we are pretty confident that we can deliver those numbers.

Stephen Scherger Yes. Nathan, just to add to PK's comments briefly. I think we certainly remain committed to the year-two synergies, which are \$260 million in year two coming off of the \$270 million that we're committed to here in year one. So our line of sight to that remains positive and consistent.

Then if you just take it to what will be the stub year as was referenced earlier, we don't see anything that would change having roughly half of that roll through during that six-month upcoming period of time. So no change to our commitments and no change to the relative timing overall.

Operator Your next question comes from the line of Anthony Pettinari with Citi.

Anthony Pettinari I just had a quick question on the noncore portfolio. During the fiscal year, did the number or the composition of businesses that you consider noncore change? Did you add or remove any businesses from that group?

Then did the Middle East conflict, has it impacted timeline or discussions for the divestitures?

Peter Konieczny Yes, Anthony. It's a great question.

The answer to your first question is, has the portfolio of the noncore businesses changed? The answer is no, and we never intended to do that. Just a few words on this.

We did a strategic assessment of our whole portfolio after we combined Amcor with Berry, and we had a number of parameters that we had on the table. We looked at growth, margin profiles, cyclicity of the businesses, industry structure, just to mention a few, and there were a couple of others. But those were

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strategic reviews that we had. Therefore we singled those businesses out and we said, look, we do believe that there are better owners for that business, and we want to focus elsewhere.

So that gives the whole process a certain solidity, which doesn't make it erratic or opportunistic when you see a market dislocation like as what we're seeing currently with the Middle East crisis, right? So the perimeter has always been the same.

We're very encouraged with the progress that we're making. We announced a number of other agreements over the last three months, which is great. We're also encouraged with the conversations that we have around the North American beverage business, which is where we do not have an agreement yet, and some adjacencies to that business in the specialty containers space.

It's encouraging conversations, particularly because these businesses are on a very nicely improving trend. We said that we saw improved performance in the third quarter, which was certainly driven by some relative volume performance sequentially, but even more so by us getting those businesses back on a very productive footing. I have a lot of time for the teams that have done an excellent job in getting that done.

Remember that we had a number of customer interactions that also addressed some challenging margin situations, and we have made good progress with that, and that's what you're seeing right now. So that has helped the business in the third quarter to perform better. We expect even more sequentially of profitability in the fourth quarter.

So in terms of timing, I cannot be specific around that as you would expect me to, but we're pretty encouraged that we will be able to get that done.

Stephen Scherger Yes. To your question, Anthony, and to PK's point, our actual performance in the North American beverage perimeter that is the component of that, we're still working on a sale process.

The actual performance financially was in line with prior year, and margins were in line with our expectations. That was a good outcome, and it's probably the most relevant component of the sale process, nothing that really is impactful relative to the Middle East conflict. It's more around the improvement in the year-over-year EBIT performance in line with prior year.

Operator Your next question comes from the line of Hillary Cacanando with Deutsche Bank.

Hillary Cacanando So you're making great progress on your synergy targets. Could you go over maybe some examples of growth synergies where you were able to win a new contract because of a combined product using both Amcor and Berry's products? I would love to hear that.

Peter Konieczny Yes, Hillary. We have made really good progress on the growth synergies. Let me just recalibrate as we are on a year-to-date basis.

So since we've had the acquisition, we have been able to close deals now up to \$100 million annualized. Those businesses are ramping up, and they have started to impact the bottom line in the third quarter with a couple of million. That's perfectly as we expected.

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We got out of the chutes pretty quickly here because we were expecting \$280 million of growth synergies over three years, and we're essentially now at \$110 million.

So we made really good progress. The growth synergies, again, they're driven by the fact that we are across the product portfolio, which is very complete now between Amcor and Berry, to sell systems rather than components. We have very complementary technology footprint. We have additional capacity on the table. So these are just some examples.

Now, in terms of examples, there's various ones here. I wasn't quite expecting the question, but I want to go back to one that I've highlighted on an earlier call. Global pharma customer actually in line with the oral dose GLP-1 drug was looking for different packaging formats for Europe and North America. In Europe, it was a blister format. In North America, it was a container format, a rigid container format. So almost an opportunity that was made for the combined Amcor-Berry.

We had the opportunities. We had the product. We were multiregional, and that has led to the closing of a good contract. This is just one example. There's many others out there. Happy to follow-up offline, but that gives you a feel.

Operator Your next question comes from the line of Gabe Hajde with Wells Fargo Securities.

Gabrial Hajde I have lots of questions, but I'm curious on the healthcare and nutrition, which I think are focus areas for you all. Both, I think, were called out as being areas of weakness. I think healthcare specifically was intended to improve beginning in the middle of 2026. Can you comment on that?

Peter Konieczny Yes. Gabe, I'll give you some more color here. So I think what Steve was saying was, within the core business, we have our six focus categories. They actually outperformed the overall core business, and they were flat, while the overall company was 1.5% down.

So the focus categories, which make up about 50% of the business, they include certain categories in nutrition, and then they also include healthcare.

I'm not sure if we mentioned it on the call yet, but five out of the six focus categories were actually either flat -- there was one that was flat. The others were low- to mid-single-digits up. We had a bit of a weaker situation in healthcare. Just maybe commenting on healthcare because you specifically asked. I continue to believe that healthcare is a great end-market category for us and a great business. We've had a number of positives also in the third quarter. We actually had wins with several pharma customers. We have a great partnership entered with a generics player around sustainability. We opened a coating facility in Malaysia in April with the first air-knife coating technology, which we've made a separate announcement on.

So all of that is good. The volumes in healthcare were slightly down, but we have good, positive mix. When you go to the volumes, the U.S. winter storm impacted a few sites in terms of both our production, but also the customer pull-through. When you look to our customers, you will see that we also had a bit of a weaker cold and flu season.

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Then in terms of outside of the focus categories, when you look at what's driven the rest is the other nutrition category, where you see more discretionary categories down. We've spoken about snacks and confectionery in the past. That's a market and also a customer-driven issue and then some weakness on the fresh and frozen food. We also see some, I would say, generally trends to value-oriented essentials in that category. So that should give you a feel. But it's not that overall nutrition is down. It was a particular segment of nutrition outside of the focus category. So I hope that makes sense.

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

Keith Chau I'm going to go back to the leverage point, so maybe one for Steve. At the end of the year, the guidance was for a leverage ratio of 3.4x to 3.5x. Typically, heading into the September quarter, your leverage goes up by, call it, anywhere between 0.3x and 0.4x.

Given you'll finish the year at an elevated level already, are you expecting to see that step up?

Given the higher working capital at the moment and the investment in working capital, should we see an over-recovery of cash in calendar year 2027?

Stephen Scherger Yes. I think the recovery of the cash will definitely occur once we see supply chains normalize and see some of the consistency rather than a little bit of the volatility. The timing of that, of course, will be dependent upon when we actually see that occur.

But the probabilities of it happening, certainly -- as you look out of calendar 2026 into calendar 2027, we would certainly see that as the likely case. But there's, of course, some unpredictability to that if the supply chains generally have volatility in it. But I think your planning assumption, our planning assumption, that would be relatively consistent with that.

Relative to this fiscal year-end leverage being modestly up, we'll see some inflection, as you indicated, in a normal, I'll call it, Q1 of the stub period, but we wouldn't expect to end the now stub period with leverage necessarily above where we're finishing.

Then as we mentioned earlier, we would expect real improvement on the leverage as we look into the fiscal and calendar 2027, particularly given the things that will be very focused on for us, synergy capture being at the levels that we've expected and would see improvement both at the EBITDA and EPS level from synergy capture during that period of time. Obviously our price and cost relationships will maintain themselves as neutral for today's conversations.

So no, I think you'll see really some very positive deleveraging as we look out of calendar 2026 and into now calendar and fiscal 2027. It's important to us and our commitment to deleveraging as we've previously discussed and highly committed.

Operator We have reached the end of the time we have for the Q&A session.

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

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Peter Konieczny Yes. Thank you, Operator. Thank you, again, for joining us, everyone. I'm sorry, we could not get to everyone today. But I certainly appreciate the interest, and we hope to see you soon. Thank you very much.

Operator This concludes today's call. Thank you for attending. You may now disconnect.