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Amcor Plc; Head of Investor Relations

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Amcor Plc; Chief Executive Officer

Michael Casamento

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Baird; Analyst

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John Purtell

Macquarie; Analyst

George Staphos

Bank of America; Analyst

Jeffrey J. Zekauskas

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PRESENTATION:

Operator Thank you for standing by. At this time we welcome everyone to the Amcor First Quarter 2026 Results Conference Call. *(Operator Instructions)*
I would now like to turn the call over to Tracey Whitehead, Head of Investor Relations. You may begin.

Tracey Whitehead Thank you, Operator. And thank you, everyone, for joining Amcor's fiscal 2026 first quarter earnings call. Joining today is Peter Konieczny, Chief Executive Officer; and Michael Casamento, Chief Financial Officer.

Before I hand over a few items to note. On our website, amcor.com, under the Investors Section, you'll find today's press release and presentation, which we will discuss. Please be aware that we will also discuss non-GAAP financial measures and related reconciliations can be found in that press release and 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 earnings to be different than current estimates. And 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 thank you to everyone joining us. I'm excited to welcome you today to discuss our first full quarter operating as a combined company. We are 180 days in, and I'm pleased with how well our teams have come together to integrate and execute against our priorities. We are also seeing strong and consistent validation by our customers who are very receptive to our expanded offerings and innovation capabilities. We are experiencing the quality of the combined business as the global leader in consumer packaging and dispensing solutions for nutrition, health care, beauty and wellness. We are gaining traction with synergy realization including commercial synergies and have solid pipelines, which continue to grow.

Margins increased in both operating segments, and we are addressing identified Amcor assets to enhance focus on our core business. Adjusted EPS of 19.30 cents

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per share was above the midpoint of our guidance range, increasing 18% compared with last year. This includes the addition of the Berry business and was supported by disciplined cost out performance, improved productivity, and synergy delivery towards the upper end of the expected range.

Our synergy run rate continues to build, and we have clear line of sight to opportunities that will drive at least \$260 million in synergy benefits in fiscal 2026. We are confident in delivering a year of strong earnings and free cash flow growth. This is an exciting time for Amcor, and I look forward to continuing to execute on our commitment to create an even stronger business that delivers significant long-term value for our shareholders and is the global packaging partner of choice for our customers.

Now moving to Slide 3 and safety, which has always been a core value for legacy Amcor and Berry. As a combined company, our focus on safety remains absolute, and fiscal 2026 has started well with strong performance. For Q1, our industry-leading safety metrics continue with Amcor's total recordable incident rate at 0.55. This is a slight increase compared with last year's performance, which is typically the case when we acquire a business. We have already identified opportunities for improvement across our now much broader footprint and global workforce, and we are proud that 89% of our combined sites remained injury-free in Q1.

Slide 4 highlights our key messages for today, which align with our near-term priorities: delivering on the core business; integrating Berry; realizing synergies; and optimizing our portfolio. First, core business execution. As mentioned, we executed well in the first quarter with EPS above midpoint of guidance. This positions us well to achieve our full year financial objectives including earnings per share growth of 12% to 17%, and doubling free cash flow over fiscal 2025.

Second, integration momentum remains strong. We delivered \$38 million in synergies during the quarter, which was towards the upper end of our guidance range. In addition to strong cost and financial synergies, we have already secured revenue synergies totaling more than \$70 million in annualized sales, and our strong pipeline continues to build. This performance combined with our track record of executing synergy targets from prior large integrations, reinforces our confidence in delivering a total of \$650 million in synergies through fiscal 2028 including at least \$260 million in fiscal 2026.

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Third, we are addressing previously identified noncore assets and have entered into agreements to sell two businesses for combined proceeds of approximately \$100 million. While these businesses are small, this swift progress underscores our commitment to disciplined portfolio management. We continue to review options to accelerate actions on noncore assets, and we anticipate additional actions this fiscal year.

Fourth, we are reaffirming our fiscal 2026 guidance. Importantly, Amcor's is well positioned with significant earnings and cash flow growth expected through delivery of \$260 million in synergies, largely under our control and not impacted by divestments of noncore assets. This means achieving our guidance of 12% to 17% EPS growth this year is not dependent on improvements in the macroeconomic environment or in customer or consumer demand.

Fifth, the Board has approved an increase in Amcor's quarterly dividend to 13 cents per share.

Turning now to Slide 5 and our first quarter financial results. As Michael will cover in more detail ahead of our segment commentary, we've moved quickly to operate as a unified organization. As a result, our commentary is focused on the year-over-year performance of the combined business. Fiscal year 2026 is off to a good start as our businesses benefited from disciplined cost performance, improved productivity and delivery of cost and financial synergies, while also building a pipeline of revenue synergies.

First quarter EPS of 19.30 cents per share was above the midpoint of our guidance range, growing 18% on a constant currency basis. Excluding noncore North America beverage, overall volumes were broadly similar to Q4, down approximately 2% in the quarter and in line with our expectations. Emerging markets performed better than developed markets, led by solid growth in Asia. And EBIT of \$687 million was up approximately 4% on a comparable basis as our teams continue to proactively manage and flex costs.

These actions, along with the enhanced quality of the combined business, resulted in another quarter of strong margin expansion with reported EBIT margin of 12%,

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110 basis points higher than Amcor's reported margin last year and 50 basis points higher than combined companies' comparable margin last year.

Moving to Slide 6, which shows we are on track relative to our one and three-year synergy commitments. Our teams delivered \$38 million in synergies during the quarter, which was towards the high end of our guidance range. Approximately \$33 million of those synergies benefited EBIT and came from G&A and procurement savings, with the remaining \$5 million primarily related to interest. Headcount reductions now exceed 450 and discussions with our vendors and suppliers are progressing well.

Our procurement savings and opportunity pipeline continue to build. We are also off to a fast start on revenue synergies, which I will return to shortly. Our teams are executing well against our proven integration playbook, positioning the business to deliver strong earnings growth in fiscal 2026. We are confident in delivering at least \$260 million in synergies this year and \$650 million in total through fiscal 2028. Today we have reaffirmed both targets.

Before turning the call over to Michael, I want to take a moment to acknowledge that this will be his final earnings call as Amcor's CFO, as he has decided to return to Australia to spend more time with his family. Michael has been an exceptional partner to me and to the business. We thank him for his many contributions over the past decade. He will continue with Amcor in an advisory capacity through June, working closely with our teams to support a smooth transition.

We look forward to welcoming Steve Scherger, who will join us as CFO next week. Steve brings deep industry expertise and a strong understanding of both the U.S. and global packaging markets. We are fortunate to have an executive of his caliber and reputation join our leadership team, and we are confident that his insights and experience will further strengthen our ability to deliver value for customers and shareholders.

Michael, over to you.

Michael Casamento Hello, everyone. And thank you, PK for those kind words. It's been a privilege to work with our talented teams over the years. I look forward to continuing to support Amcor's strategic objectives over the next several months

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while helping Steve transition into the role, and ensure that he is well equipped to continue delivery of the significant opportunities ahead and value capture from the transformational Berry acquisition.

Now before we get into further detail, I note that comparative data throughout our earnings materials will continue to represent the legacy Amcor business only for most of the fiscal year. However we also understand that insights on the performance of the business on a like-for-like basis is important to understand. Several of our comments today related to volumes and adjusted EBIT will be focused on first quarter performance compared with estimated prior period results for the combined legacy Amcor and Berry businesses.

Starting with the global Flexible Package Solutions segment on Slide 7. Net sales increased 25% on a constant currency basis, primarily driven by the Berry acquisition. On a comparable basis, net sales were down 2% and with favorable price/mix dynamics offset by a 2.8% decline in volumes.

By region, demand across the developed markets of North America and Europe were down low single digits, with volumes across emerging markets in line with last year, reflecting growth in Asia, offset by lower demand in Latin America. From an end market perspective, volumes in our focus categories reflected relative strength and were broadly in line with the prior year.

We saw good growth in pet care and dairy categories and volumes comparable to last year in healthcare, offsetting softer demand in fresh meat and liquids. Broader nutrition was weaker including in categories such as snacks and confectionery coffee and condiments, partly offset by growth in other categories including fresh produce and preprepared meals.

Adjusted EBIT rose 28% on a constant currency basis to \$426 million, driven primarily by approximately \$75 million in acquired earnings net of divestments. On a comparable basis, EBIT was up approximately 2%, reflecting synergy benefits and improved cost performance and productivity, partly offset by the unfavorable impact of lower volumes. The quality of the business continues to improve, with EBIT margin of 13.1%, up 20 basis points over last year.

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Turning to Slide 8 and the Global Rigid Packaging Solutions segment. Net sales increased 205% on a constant currency basis, mainly driven by the Berry acquisition. On a comparable basis, net sales were lower than the prior year, reflecting a 1% volume decline excluding noncore North American beverage as well as unfavorable price/mix. By region, demand in North America was in line with the prior year, excluding North America beverage. Outside of the U.S., volumes in Europe were marginally down and Latin American volumes were down low single digits.

From an end market perspective, our strategic focus categories were broadly in line with last year, with strong performance in pet care and continued growth in Europe in health care, helping offset softer demand in food, service and premium beauty and wellness. Adjusted EBIT of \$295 million increased 365% on a constant currency basis, driven primarily by approximately \$240 million in acquired earnings, net of divestments.

On a comparable basis excluding noncore North American beverage, adjusted EBIT was up approximately 3%, reflecting synergy benefits and disciplined cost performance, partly offset by the unfavorable impact on volumes. The strength in value creation from the combination with Berry Global is clear in this segment with EBIT margin increasing to 11.9%, which is 420 basis points higher than last year.

Moving to Slide 9, covering cash flow and the balance sheet. Free cash outflow for the first quarter was \$343 million and in line with expectations. It represented a year-over-year improvement of more than \$160 million prior to funding acquisition-related costs. CapEx was \$238 million, up from last year, as anticipated, primarily due to the acquisition of Berry. We continue to expect capital spending in the range of \$850 million to \$900 million for fiscal 2026 with depreciation expected to slightly exceed CapEx.

Leverage exiting the quarter was 3.6x, in line with our expectations given seasonality of cash flows, we expect solid cash flows in Q2 and remain on track to reach the 3.1x to 3.2x by fiscal year-end. This outlook includes \$100 million of proceeds from the small asset sales announced today but excludes proceeds from any additional asset sales through the balance of the year, which would support further deleveraging.

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Our commitment to maintaining an investment-grade balance sheet, and as a dividend aristocrat, to growing our dividend annually as we did again this quarter, is unwavering. We are confident that our strong annual cash flow generation fully supports these priorities.

Turning to Slide 10 and our financial outlook. Q1 EPS came in above the midpoint of our August guidance, reinforcing our confidence in delivering a year of strong EPS and cash flow growth. As PK noted, we are reaffirming our guidance for adjusted EPS of 80 to 83 cents per share on a reported basis, representing strong year-over-year growth of 12% to 17%. Our confidence in delivering at least 12% earnings growth is fully supported by continued execution against our identified synergy opportunities and does not rely on any improvement in the macro environment or increases in customer or consumer demand.

In terms of the December quarter, which historically has been a seasonally weaker quarter, particularly for the legacy Berry business. We expect EPS of 16 to 18 cents per share including approximately \$50 million to \$55 million of synergy benefits. At the midpoint, this represents around 12% comparable growth against prior year estimated combined EPS of approximately 15 cents per share.

Interest expense and effective tax rate are both expected to be similar to the September quarter. This also means that earnings phasing is expected to be consistent with Amcor's historical performance with approximately 55% of EPS being delivered in H2. Growth is also expected to accelerate in the second half and particularly in the fourth quarter as synergies build throughout the year.

We are also reaffirming our free cash flow guide of \$1.8 billion to \$1.9 billion in FY 2026, which is double fiscal 2025 cash flow and is after funding approximately \$220 million of cash integration and transaction costs, of which \$115 million was funded in the first quarter. Our full year net interest expense range of \$570 million to \$600 million remains unchanged, and we are currently tracking toward the lower end of our effective tax guidance range of 19% to 21%.

So in summary, we had a solid start to the year, executing well against the outlook we provided in August. With that, I'll hand back to you, PK.

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Peter Konieczny Thank you, Michael. Before we move to Q&A, I'd like to take a few minutes to discuss the mid- to longer-term growth opportunities for Amcor. As we look ahead, we are well positioned with significant synergies from the Berry acquisition, which over the 3-year period ending fiscal 2028 is expected to drive more than 30% EPS growth.

At the same time, we are taking deliberate steps to position Amcor for sustained volume growth in our base business through three strategic initiatives shown on Slide 11.

First, we have clearly defined our core portfolio, establishing Amcor as the global leader in consumer packaging and dispensing solutions for nutrition, health care, and beauty and wellness. These are large, stable end markets with attractive margin profiles, where we hold leadership positions and see meaningful opportunities to work. As part of our portfolio optimization efforts, we are exploring strategic alternatives for several businesses that are less aligned with the core portfolio. As mentioned earlier, we have already entered into agreements to sell two smaller businesses. We continue to review strategic options to accelerate actions on noncore assets, and we anticipate additional actions this fiscal year.

Second, we have meaningful opportunities to supply customers with solutions that neither legacy company could have provided on its own. Our now combined teams are already actioning more than 10 growth synergy initiatives, which includes straight forward geographic expansion or cross-selling opportunities, such as taking Berry solutions into Amcor's Latin America or Asia Pacific footprint. They also include more complex combined solution offerings that meet customers' complete packaging needs including combining legacy Berry containers plus Amcor lids or seals or legacy Amcor bottles and containers with Berry closures.

In just a few months, we have already been awarded new business wins, totaling more than \$70 million in annualized sales revenue, and our pipeline is building rapidly. As an example, we expanded our business with a large food service customer. Amcor had a strong relationship with the customer and technical know-how and legacy Berry brought core manufacturing capabilities that were not then available to Amcor. Bringing our business together allowed us to accelerate execution for the customer and deliver a disruptive and sustainable solution faster to the market.

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We also recently won business in Latin America with a large beauty and wellness customer across product categories. This is a great example of Amcor's ability to mitigate supply chain risk with production flexibility across a stronger multisite footprint within a single country. This also included a complete solution when combining Amcor's rigid container with a legacy Berry closure system.

Finally, about 50% of our core portfolio or \$10 billion in annual sales comes from six key focus categories where volumes have historically grown at mid- to high single-digit rates with above-average margins, supported by demand for complex packaging solutions. We are already winning in these attractive categories and with enhanced scale and capabilities post Berry acquisition, we are even better positioned for continued success. We are making tangible progress across all three strategic initiatives, and we are confident our focus will result in more consistent volume growth in the low single-digit range, translating to meaningful long-term earnings growth and shareholder value creation.

In closing, this is our first full quarter combined with Berry. The quality of our combined business is showing as we executed well against our financial commitments. Integration is progressing well and we're building significant synergy momentum including for revenue synergies. We moved swiftly on portfolio actions, reaching agreements to sell two smaller noncore businesses, and we increased our quarterly dividend which now stands at 13 cents per share. We have also reaffirmed our fiscal 2026 EPS and free cash flow guidance, which is not contingent on any improvement in the macroeconomic environment or increase in current customer or consumer demand.

As we look ahead, we are uniquely positioned for \$650 million in identified synergies. Over the 3-year period ending fiscal year 2028, synergies alone are expected to drive more than 30% EPS growth. At the same time, we are taking deliberate steps for strategic growth initiatives to create an even stronger business that delivers consistent organic growth and value for our shareholders and is the global packaging partner of choice for our customers. Operator, we are ready for questions.

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QUESTIONS:

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

Ghansham Panjabi Michael, first off, congratulations on the announcement and wish you the very best for the future. So PK, just going back to the Flexibles business, it looks like after an increase in the first three quarters of fiscal year 2025, the volume cadence is basically reversing both from the year ago period, and I think you saw that last quarter as well. What do you think is driving this most recent decline? Is it the same issue with consumer affordability challenges? You called out confectionery and obviously cocoa prices have gone up significantly. So are you seeing some sort of order pattern distortions because of that? Or do you see another sort of leg down in terms of volumes at the consumer level?

Peter Konieczny Yes. Thanks, Ghansham. I think it's important for us to take a step back and just remind ourselves again. We expected the volumes to be very similar to Q4, and that's exactly where they were, down about 2% if you exclude the noncore North American beverage. Now you're asking specifically about Flexibles, which was a little weaker and was particularly weaker in Europe. So the Flexibles weakness really that we've seen is in Europe.

If you double-click on that one, you get to a subcategory that we call unconverted film. The unconverted film category was weak essentially following really general market softness. This is a film that we make, we don't further process it. We don't print it. We don't cut it. We don't split it. We don't make any products. We just sell that film into different end markets and it is those particular segments that have been particularly weak, but that is really what's driven the Flexibles weakness in demand in the last quarter.

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

Ramoun Lazar And Michael, congratulations on your announcement from us as well. Just a quick one on the North American beverage business, if you can give us any kind of update there? It looks like volumes for the quarter fell high single digits there. Just any progress you're making on turning that business around, given the issues that you identified last quarter? And any update on divestments of that business potentially?

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Peter Konieczny I'll help you just take that, Ramoun. Look, first off, I'll say we made really good progress on the operational side with that business. We were reporting a couple of challenges in the last quarter. I was not proud of those, but I have to say kudos to the team that jumped on it. As I was expecting, that was very quickly turned around, and we've exited the first quarter with those issues completely under control again.

So that is important. You're right that volumes softened sequentially from the fourth quarter last year to the first quarter this year. But on the back of the operational activities and the strengthening of the business, we actually increased the profitability of the business sequentially, which puts us in a much better spot.

Finally, as this is a noncore business, you're absolutely right. We are pushing ahead ambitiously to find strategic alternatives for that business. We're exploring a broad range of options. We said that about 90 days ago, and I'll just repeat that today, that we are very open to all kinds of solutions here including joint ventures or also partnerships. That is progressing, and we'll see how that plays out. But it's really hard to be more definitive on timing.

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

Anthony Pettinari With the high-growth categories, as you called out in Slide 11, I if company volumes were down 2% on for the quarter, is it possible to generalize kind of the volume performance of these focus categories? I know there are six of them. So are these categories posting positive growth and maybe the sort of more base business is seeing much sharper declines? Or are you seeing the same kind of challenges currently in health care, beauty and wellness that you're seeing in maybe the more conventional CPG kind of food service categories?

Peter Konieczny Yes, Anthony, I think it's a great question. Look, I think generally, what I would say is that the focus categories, and that's what we were referring to on that slide, they performed better. They generally performed better than the overall business. They also did collectively in the first quarter of 2026. If I give you a bit of a detail around that, I'll start with health, beauty and wellness.

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In that area, health care would have been aligned with the prior year. Beauty and wellness was down low single digits, that was certainly reflecting the consumer being more value-oriented. Then moving to the nutrition space. The one that I would call out, petcare, really a strong category, continues to grow strongly, very resilient, very happy with the performance there. Dairy being a subcategory to protein, we've seen some low single-digit growth with really good performance in Europe on yogurt, in North America with cheese, and in Latin America, we saw some good performance in margarine.

So happy with Dairy overall. Meat, the other subcategory in protein, was a little weaker. I think it's fair to say that we're having a bit of a tough time on in the meat cycle right now and that also reflects the value-conscious behavior of the consumers. Then foodservice and liquids, they were also down low single to mid-single digits. So it's a bit of a mixed bag. But when you pull it all together, the focus categories, overall, they did perform better than the rest of the business.

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

John Purtell Peter, and Michael, thanks for all your help over the years and all the best going forward. Just in terms of the comparable EBITDA, up 4% on a 2.8% volume decline. Obviously there's some synergies in there. But can you just talk to the sort of, I suppose, the underlying sort of cost and productivity piece because it does imply that there's been some pretty good costs and productivity management there.

Michael Casamento John. I can take that one. Yes. You're right. We're really pleased where the quarter ended up. The team is really focused on the cost side of things, knowing that we were anticipating volumes to be similar to what we saw in Q4. So we knew there was going to be some softer demand, and we worked really hard to flex the cost base accordingly, to manage the shift patterns, manage the line performance, drive cost out where we can, and particularly on the discretionary spend as well.

So we are really pleased with the performance on that front. Then of course you had the synergy delivery as well which is really unique to us, and I think that's something we were really pleased with where the synergies ended up toward the upper end of the range that we guided to with \$38 million in the quarter.

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A good mix of G&A and procurement coming in there, as well as some financial synergies we feel really confident in the ability to deliver the full year of that \$260 million. So we're really pleased with where that came out and the pipelines that are coming through, which also include as PK touched on in his remarks, revenue synergies as well in that pipeline. So we feel pretty good about the synergy delivery overall and where the business is performing from a cost standpoint because we were able to flex, when we can see that the volume is a little softer than we would typically expect.

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

George Staphos Michael, thanks for everything and best of luck in the next chapter. I really appreciate your support of our research. My question is on synergy broadly. PK And Michael, can you talk a little bit more about how the sort of marriage, if you will, of Latin America and specialty containers is going with legacy Berry? I think you touched on a couple of synergy benefits. Can you talk a bit more - - provide a bit more color maybe what kind of growth you're getting there? And then somewhat relatedly, can you give us a bit more color on this food service award you got, putting the two businesses together and getting a revenue synergy out of that?

Peter Konieczny Yes. Thanks, George. I'll start out here and try to take the three tiers of your question. Let me start off with the synergies. And before I get specifically into the benefits that we would be expecting from the combination of Rigid and Flexibles on Latin America, let me just make some high-level comments here.

Let's first of all calibrate ourselves against the fact that, we are really just 180 days into the combination of the two companies. It's really important to calibrate that because it feels like we've been together forever. The teams are really executing well. I'm very pleased with all of that, and in the first quarter, we've seen synergies coming through and really falling to the bottom line, which we're at the upper end of our guidance range. But what you're not seeing here because of how to translate it yet is really the momentum that we're building with the pipelines.

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Some of that you can take from the guidance in Q2, obviously the synergies are stepping up. That gets us, when we think about the exit rates of Q2, through a really clear line of sight of at least \$260 million. You will notice that we positioned that a little different to what we said beforehand. Now we're saying it's at least \$260 million. So we have really strong confidence in the synergy delivery for this year. Now you've been asking about Latin America. I think you're connecting that to the decision to combine the two businesses. We are doing this because we believe that we have an opportunity to more efficiently and effectively address the region of Latin America by representing a larger product base, which we know is very complementary between the two businesses. That's why we're doing it.

When I talk about the synergies that result from that, you referenced I think the beauty and wellness customer that actually was in Latin America, was not the food service customer. That one is North America. But in Latin America, it was a beauty and wellness customer. We achieved an agreement across two products, and two things helped us actually land that win.

One is we have a combined footprint between Berry and Amcor that actually provided a contingency solution in-house for the customer, which was really high in the customer's list. But more importantly, we're combining an Amcor Rigid container with a Berry closure. So it falls into the bucket of the systems solution sell. That's the Latin American piece. I hope I captured your question.

Operator Your next question comes from the line of Jeffrey Zekauskas with JPMorgan.

Jeffrey Zekauskas In your raw material cost savings, were they largely in the United States or in Europe. And in your description of global Rigid Packaging, you said your volumes were down 1% against combined prior year ex noncore North American beverage. Were they down inclusive of the noncore North American beverage?

Michael Casamento So I can take you on the synergy side. Look, if I break down the synergies for the quarter, that's probably a better way to think about it. On the synergies in the quarter, we delivered \$38 billion, which was at the upper end of our guidance range. Of that \$33 million was in the EBIT base, and then we had \$5

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million financial synergies, which related to some interest benefits as we've got more flexibility now with fixed and floating, and commercial paper, et cetera.

On the EBIT side of things, of the \$33 million, about two-thirds of that was G&A. That comes from the fact we've already taken out 450 roles across the business. So we are starting to see the benefits there. On the procurement side, again, it was a third. So it wasn't a significant amount, and it was pretty general across the board. So that's where we ended up for the quarter. As we said, that will build through the second and third quarter into the full year, and we feel really confident around that number.

Peter Konieczny And then, Jeff, I think you asked the question in terms of volume performance. We said Rigid overall, excluding North American beverage, was a point down. If you rolled North American beverage in there, it's 2.5%.

Operator Your next question comes from the line of Brook Campbell-Crawford with Barrenjoey.

Brook Campbell-Crawford I know you're talking about not expecting markets to improve in FY 2026. But does the range you've given for FY 2026 cover a scenario where volumes continue to decline at that sort of 2.5% year-over-year trend that you saw in the first quarter?

Peter Konieczny Thanks, Brook. Let me start this and maybe Michael wants to build on that. So I think we've discussed the volume expectations for the first half, right? The first quarter is done, the second quarter we've discussed and you're specifically asking about the back half of fiscal 2026. I'd say, if I take a step back, I believe that there is actually even an opportunity for the volumes to be positive in the back half of the fiscal year. The reason for that is, one is technically were cycling softer comparisons in the back half, but we're also seeing wins coming through now that will translate. I told you that we are very much driving very discrete and select growth initiatives in the second half.

We will have a little more time for them to actually gain traction. So you could even expect the volumes to be positive. Now what adds to that though, is the underlying market environment. I don't know how that's going to look. I think nobody really

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knows what the underlying consumer and demand environment is going to look like, and that creates a bit of the challenge here.

So what we're going to do in the back half is we're going to do exactly the same thing that we did in the first quarter, which we did well and what we have set sail to do in the second quarter, we will manage our costs, and we will adjust our capacities to the actual volume situation, and we will focus on the delivery of synergies, and that's what we've done very well. It was a good recipe in the first quarter.

We want to do the same thing in the back half. While our guidance range includes a number of ranges on volumes outcomes and volume is not the only driver for our guidance range, as you know. But even if the overall macro environment, were not to improve, that would be covered within our guidance range. That's the way we think about it.

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

Matthew Roberts PK and Michael. Michael I echo the others, all the best for your return to Australia, we should all be so lucky. Quickly on the divestitures you mentioned, could you give us sales and EBITDA contribution? Or I apologize if I missed that. There's still about \$900 million to go there in the noncore non-beverage assets.

So based on those initial, albeit smaller contribution of sales there, where the public markets are trading, how did multiples compare to your prior expectations on that? And how is line of sight to the remaining \$900 million that you have remaining? Anything you could -- I don't know if you will frame it, but anything you've given potential impact to leverage or timing that would be appreciated.

Michael Casamento Yes. Sure. I think in terms of the two divestments that we announced today, one of those is just a small plant in Europe, sales less than \$20 million, so not a significant impact on earnings or sales. The other one is actually a joint venture. So we were not consolidating that one. We were equity accounting that. So that also contributes to the \$100 million in proceeds. So we were pretty pleased with the outcome of that.

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We'll use that cash to pay down debt, when it comes in and we continue to focus on the other items, I think, PK already touched on the North American beverage business, and we're working hard on the other businesses as well. So we'll keep you updated as that progresses.

Operator Your next question comes from the line of Cameron McDonald with E&P.

Cameron McDonald Just in terms of the volume performance. Do you -- and I appreciate that you've said that it's hard to see what underlying environment is going to be going forward. When you think about either the core business or the North American business, in beverages. Are you thinking that, that is all organic volume reduction? Or have you experienced some market share loss to other substrates, particularly in that North American beverage sector?

Peter Konieczny Cameron. Look, generally, I'd say, in the way that we look at our whole portfolio and there is always puts and takes, as you will appreciate. But this is not a story of share loss. So generally, I would say that. When you dive deeper into the beverage business per se and you talk about shifts between substrates, we have referenced in the past, and I think that is still something, and that's the only trend that I would be able to point to that you have in multipack sales that go through big box stores.

You have a more attractive price point for consumers when you choose an aluminum can versus other substrates. And that is the space where the consumer goes as the consumer is seeking value. That's where you can see -- in that specific case, you can see that there is some shift. But other than that, we don't see anything significant.

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

Keith Chau (inaudible)

Peter Konieczny Keith, it's PK. You really broke up a lot here, and I had a really hard time to follow the question. It's not getting any better. It's not getting any better. I'm sorry. But I think I think we probably need to move on and maybe you

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can just dial back in again, and we'll try to take your question when you come back in with a better line.

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

Nathan Reilly Just a question on private label. Can you give us an update on your exposure to private label products? And maybe just talk to some broad trends that you're seeing in that category at the moment.

Peter Konieczny Yes, Nathan, I think it's also a great question. I mean in private label, you would assume that, generally, the consumer seeking value would turn to private label more, and that's something that we would expect in certain cases, we do see that and we want to participate..

Obviously we have some pretty good exposure to private label across the regions, both in North America and Europe, if I just focus on those two big markets where private label really plays a role. But I would also say that we are probably somewhat underrepresented in the market when you look at the share of private label and our share of business with private label, you will see that we have an opportunity there. So that will be a focus area for us to drive additional growth going forward, and that will make us participate in the trend.

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

Gabe Hajde I just had a question about health care. I think the expectation was that it was going to return to growth in the back half of 2025. And I think you made some general comments around the business. But just if anything has changed with that trajectory. And then maybe I don't know if you want to talk about it in calendar year terms, but just prospects for that business in 2026.

Peter Konieczny Yes, Gabe, I'd say, first off, I'd say we believe that health care is a great portfolio. I've said this many times and I continue to say that. The performance of health care has some differences between the regions, what we're seeing right now that we're having a really strong performance in North America. So very happy there in North America. We tend to be more focused on the medical side of the business.

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Our performance is improving, but on a comparable basis, a little weaker on the European side, where we have more of a pharma exposure. That has averaged out to overall a flat health care business, which I would still say, if I compare it to the prior quarters, is a solid outcome given the fact that medical had improved faster than pharma and over time. So my expectations for health overall is that we will see continued improvement in that business into calendar 2026 and also into the back half of our fiscal year 2026.

Operator Ladies and gentlemen, this concludes our question and answer session. I will now turn the call back to management for closing remarks.

Peter Konieczny Well thank you, Operator. I'll keep this very short here. But we feel like we've executed a pretty solid quarter in line with our expectations, maybe even a little better than what we expected. We're very confident in the synergies with a delivery of at least \$260 million and the revenue synergies, they're also coming through. We talked about those, and the pipeline is really building strongly.

We talked about reaffirming our guidance where the low end of our guidance, the 12% EPS growth is really just driven by the synergies that we have good line of sight of. Then in the long term, and this is important for me also to make that point, we continue to really drive the growth strategy on the back of three pillars. One is the portfolio optimization, the other one is, again, capturing the revenue synergies and the third one would be the focus categories and our drive towards those. So thank you again for joining us, and we look forward to the opportunity to sitting down with many of you over the course of the quarter. Thank you.

Operator That concludes today's call. Thank you all for joining. You may now disconnect.