



# Amcor plc (AMCR)

Updated May 8<sup>th</sup>, 2024 by Felix Martinez

## Key Metrics

<b>Current Price:</b>	\$10.22	<b>5 Year CAGR Estimate:</b>	8.6%	<b>Market Cap:</b>	\$14.6 B
<b>Fair Value Price:</b>	\$10.50	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	05/21/24
<b>% Fair Value:</b>	97%	<b>5 Year Valuation Multiple Estimate:</b>	0.5%	<b>Dividend Payment Date:</b>	06/11/24
<b>Dividend Yield:</b>	4.9%	<b>5 Year Price Target</b>	\$13	<b>Years Of Dividend Growth:</b>	4
<b>Dividend Risk Score:</b>	F	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	Hold

## Overview & Current Events

Amcor plc is one of the world's most prominent designers and manufacturers of packaging for food, pharmaceutical, medical, and other consumer products. The company emphasizes making responsible packaging that is lightweight, recyclable, and reusable. Today, the Amcor plc, which trades on the NYSE, was formed in June 2019 with the merger between two packaging companies, U.S.-based Bemis Co. Inc. and Australia-based Amcor Ltd. Amcor plc's current headquarters is in Bristol, U.K. Amcor currently trades with a market capitalization of \$14.6 billion.

Amcor reported its third quarter results for Fiscal Year (FY)2024 on April 30<sup>th</sup>, 2024. The company fiscal year ends in June. Amcor's fiscal quarter ending March 2024 demonstrated resilience despite market challenges, with notable increases in key financial metrics. GAAP diluted EPS reached 12.9 cents, with GAAP net income hitting \$187 million. Adjusted EBIT rose by 3% to \$397 million on a comparable constant currency basis, while adjusted EPS saw a 1% increase to 17.8 cents. For the nine months ending March 31, 2024, net sales totaled \$10,105 million, with GAAP net income of \$473 million and a GAAP diluted EPS of 32.7 cents. Adjusted EPS stood at 49.1 cents, with Adjusted EBIT reaching \$1,106 million. Shareholders benefited from a rise in quarterly dividends to 12.5 cents per share, alongside \$30 million in shares repurchased. The outlook for Adjusted EPS for fiscal 2024 was raised to 68.5-71 cents per share, with Adjusted Free Cash Flow expected to range from \$850-950 million.

Peter Konieczny, Amcor's interim CEO, highlighted the company's improved financial performance in the third quarter, attributed to robust underlying business growth and enhanced earnings leverage. Despite a decline in overall volumes compared to the previous year, Amcor exceeded expectations, with sequential volume improvement observed across various categories and regions. Konieczny expressed confidence in Amcor's long-term growth strategy, emphasizing investments in organic growth, acquisitions, share repurchases, and dividends.

Looking ahead, Amcor anticipates sustained growth, with Adjusted EPS for fiscal 2024 projected to range from 68.5 to 71 cents per share and adjusted free cash flow estimated at approximately \$850 million to \$950 million. The company plans to allocate around \$70 million towards share repurchases as part of its ongoing program. Amidst market uncertainties, Amcor remains committed to delivering value to shareholders while strategically positioning itself for continued success.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	---	---	---	---	---	\$0.62	\$0.64	\$0.74	\$0.81	\$0.73	<b>\$0.70</b>	<b>\$0.85</b>
<b>DPS</b>	---	---	---	---	---	\$0.23	\$0.46	\$0.47	\$0.48	\$0.49	<b>\$0.50</b>	<b>\$0.55</b>
<b>Shares<sup>1</sup></b>	---	---	---	---	---	1182.0	1601.0	1556.0	1516.0	1448.0	<b>1448.0</b>	<b>1448.0</b>

Amcor plc is a new entity, lacking long-term growth data. However, by examining Bemis Co. Inc. and Amcor Ltd's histories, we can gain insights. Bemis, a stable dividend stock, saw annual yields over 3% in its last five years as a public

<sup>1</sup> In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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company. Specializing in flexible packaging for food and pharmaceuticals, Bemis' efficient restructuring in 2017 drove net income from \$94 million to \$225.7 million between 2017 and 2018. While past performance isn't predictive, Amcor's potential growth is indicated, particularly in Latin America's strong packaging demand. Projections of 4% annual growth over the next five years suggest an estimated FY2029 share value of \$0.85.

## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	---	---	---	---	---	14.4	16.4	12.9	15.6	13.6	14.6	15.0
Avg. Yld.	---	---	---	---	---	0.6%	1.7%	1.3%	3.8%	4.9%	4.9%	4.3%

Amcor is currently at its fair value. The current dividend yield is attractive compared to the broader market, but the payout ratio is high. Again, since we do not have historical data to value Amcor reasonably, we will have to wait a few more years to reevaluate Amcor's performance and see if it will continue to grow its dividend. Thus, we have a forward dividend growth of only 2%.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	---	---	37.1%	71.9%	63.5%	59.3%	67.1%	71%	65%

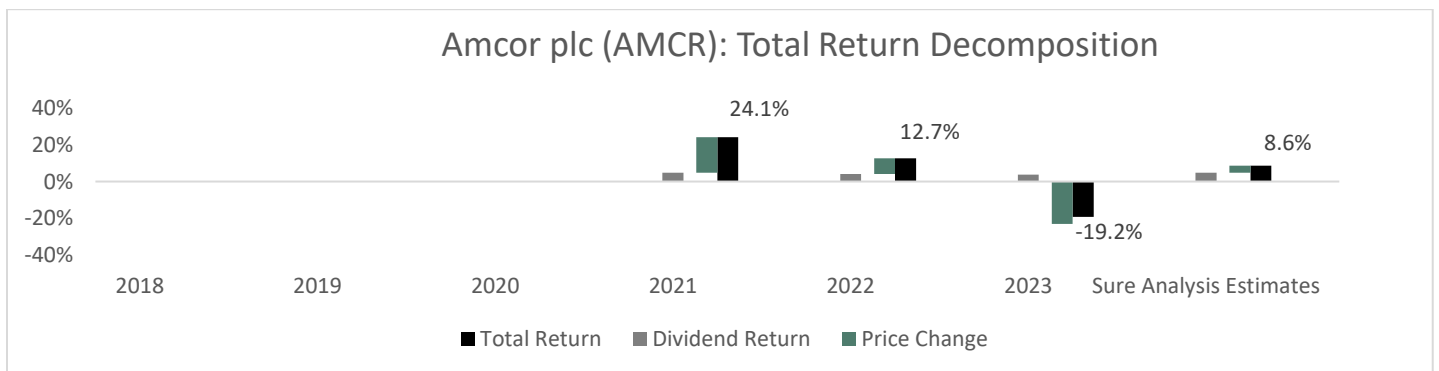
Amcor Plc was created from two sturdy dividend payers, so we see no reason why that trend should not continue. Although Amcor's headquarters are in Great Britain, its largest markets are in the Americas. That means Amcor should be relatively safe from potential future declines to the pound (or to the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

Amcor's emphasis on recyclable and reusable products should appeal to more conscious end-users, while the merger with Bemis brings it huge prospects in developing markets. Plus, with the merger into one gigantic manufacturing entity, Amcor has increased the ability to negotiate better costs from its suppliers. This should make Amcor an unstoppable force in the packaging industry. The company's balance sheet looks to be stable with a created rating of BBB. The company has a current debt-to-equity ratio of 1.9.

## Final Thoughts & Recommendation

There is plenty to like about the prospect of Amcor. The company is based on two strong manufacturing companies, each with growth potential, especially in developing markets. The company looks well-positioned going forward; we estimate an 8.6% annual return for the next five years at the current price. Thus, we rate Amcor a hold.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	10218	9599	9474	9092	9319	9458	12468	12861	14544	14690
Gross Profit	1930	1930	2006	1910	1857	1799	2536	2732	2820	2725
Gross Margin	18.9%	20.1%	21.2%	21.0%	19.9%	19.0%	20.3%	21.2%	19.4%	18.6%
SG&A Exp.	890	961	1469	999	793	999	1385	1292	1284	1246
D&A Exp.					353	446	652	574	625	586
Operating Profit	968	906	469	842	1034	923	1109	1415	1473	1404
Op. Margin	9.5%	9.4%	5.0%	9.3%	11.1%	9.8%	8.9%	11.0%	10.1%	9.6%
Net Profit	532	679	245	596	575	430	612	939	805	1048
Net Margin	5.2%	7.1%	2.6%	6.6%	6.2%	4.5%	4.9%	7.3%	5.5%	7.1%
Free Cash Flow					506	444	985	993	999	735
Income Tax	76	188	242	214	119	172	187	261	300	193

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	9130	8536	8731	9074	8992	17165	16442	17188	17426	17000
Cash & Equivalents	509	704	519	561	617	602	743	850	775	689
Acc. Receivable	1223	1192	1187	1115	1029	1864	1616	1864	1935	1875
Inventories	1328	1212	1251	1304	1351	1954	1832	1991	2439	2213
Goodwill & Int.	1995	1843	2114	2407	2373	7463	7334	7254	6942	6890
Total Liabilities	6992	6951	7881	8184	7908	11490	11755	12367	13285	12910
Accounts Payable	1786	2343	2432	2576	2591	2303	2171	2574	3073	2690
Long-Term Debt	3513	3575	4356	4597	4459	6103	6235	6289	6490	6746
Total Equity	2029	1464	788	821	1015	5609	4626	4764	4082	4026
LTD/E Ratio	1.73	2.44	5.53	5.6	4.39	1.09	1.35	1.32	1.59	1.68

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.2%	7.7%	2.8%	6.7%	6.4%	3.3%	3.6%	5.6%	4.7%	6.1%
Return on Equity	20.0%	38.9%	21.8%	74.1%	62.6%	13.0%	12.0%	20.0%	18.2%	25.9%
ROIC	8.2%	12.6%	4.7%	11.2%	10.4%	5.0%	5.4%	8.5%	7.4%	9.8%
Shares Out.						1182	1601	1556	1516	1476
Revenue/Share	8.32	7.83	8.04	7.78	8.05	8.00	7.79	8.27	9.59	9.96
FCF/Share					0.44	0.38	0.62	0.64	0.66	0.50

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

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