



Berry Announces Third Quarter 2023 Results

August 9, 2023

Third Quarter Highlights

- GAAP: Net sales of \$3.2 billion; Operating income of \$267 million; Earnings per share of \$1.18
- Non-GAAP: Operating EBITDA of \$522 million; Adjusted earnings per share of \$1.90
- Returned \$115 million to shareholders in the quarter (\$83 million via share repurchases and \$32 million in dividends)
- Fiscal 2023 outlook: Guidance within our previous announced ranges for adjusted EPS and free cash flow

EVANSVILLE, Ind.--(BUSINESS WIRE)--Aug. 9, 2023-- Berry's Chairman and CEO Tom Salmon shared, "We continue to prioritize structural cost improvements, enhance operating efficiencies, and successfully shift our portfolio toward high-value growth products across all of our businesses. Our cost actions, including site rationalizations, moving business to more cost-efficient facilities, and labor cost reductions, have resulted in significant annualized cost savings of now \$140 million.. We expect to realize \$75 million in fiscal 2023, with the majority of the balance being realized in fiscal 2024. These internal initiatives have been instrumental in driving 3% growth in adjusted earnings per share in the face of a 7% volume decline caused by destocking and overall market softness. Moreover, we are dedicated to delivering long-term value for our shareholders, as evident by our repurchases in fiscal 2023 of \$416 million, or another 5.6% of shares outstanding, alongside our quarterly dividend payments. Furthermore, and in line with this commitment, we expect to repurchase nearly 3 million shares, or 2.5% of our total shares outstanding, during our fourth fiscal quarter. Looking ahead, we expect a transition to a more normal operating environment with the easing of inflationary pressures on consumers, and we anticipate sequential volume growth improvement across all four segments in the fourth fiscal quarter."

Key Financials (1)

GAAP results	June Quarter		June YTD	
	2023	2022	2023	2022
Net sales	\$ 3,229	\$ 3,726	\$ 9,577	\$ 11,074
Operating income	267	336	778	906
EPS (diluted)	1.18	1.58	3.47	3.93

Adjusted non-GAAP results	June Quarter		Reported		June YTD		Reported	
	2023	2022	Δ%	Δ%	2023	2022	Δ%	Δ%
Net sales	\$ 3,229	\$ 3,726	(13%)	(13%)	\$ 9,577	\$ 11,074	(14%)	(11%)
Operating EBITDA	522	550	(5%)	(6%)	1,506	1,562	(4%)	(1%)
Adjusted EPS (diluted)	1.90	2.03	(6%)	(7%)	5.23	5.21	-%	3%

(1) Adjusted non-GAAP results exclude items not considered to be ongoing operations. In addition, comparable change % excludes the impacts of foreign currency, acquisitions, and recent divestitures. Further details related to non-GAAP measures and reconciliations can be found under our "Non-GAAP Financial Measures and Estimates" section or in reconciliation tables in this release. In millions of USD, except per share data

Financial Results – Third Quarter 2023

Consolidated Overview

The net sales decline is primarily attributed to decreased selling prices of \$250 million due to the pass-through of lower resin costs and a 7% volume decline. The volume decline is primarily attributed to softer demand in our consumer and industrial markets, including destocking, partially offset by strong growth in foodservice.

The operating income decrease is primarily attributed to a \$44 million unfavorable impact from the volume decline, a \$30 million increase in business integration costs and a \$10 million expense related to a third-party warehouse fire.

Consumer Packaging - International

The net sales decline is primarily attributed to a 5% volume decline due to softer consumer and industrial market demand in Europe, including destocking.

The operating income decrease is primarily attributed to a \$14 million unfavorable impact from increased business integration costs and a \$10 million unfavorable impact from the volume decline. These items are partially offset by a favorable impact from price cost spread.

Consumer Packaging - North America

The net sales decline is primarily attributed to decreased selling prices of \$105 million and a 4% volume decline primarily attributed to softer industrial

and consumer market demand, including destocking partially offset by strong growth in foodservice.

The operating income decrease is primarily attributed to a \$8 million unfavorable impact from the volume decline and a \$6 million unfavorable impact from increased business integration costs.

Health, Hygiene, & Specialties

The net sales decline is primarily attributed to decreased selling prices of \$83 million and a 7% volume decline primarily attributed to weaker demand in specialty markets, such as filtration and building and construction, including destocking, partially offset by growth in disinfectant wipes.

The operating income decrease is primarily attributed to a \$20 million unfavorable impact from price cost spread, a \$9 million unfavorable impact from increased business integration costs, and an unfavorable impact from the volume decline.

Engineered Materials

The net sales decline is primarily attributed to an 11% volume decline attributed to destocking and weakness in European industrial markets and decreased selling prices of \$77 million.

The operating income decrease is primarily attributed to a \$18 million unfavorable impact from the volume decline, partially offset by a favorable impact from price cost spread.

Cash Returns to Shareholders

Berry generates significant cash flow and is committed to returning capital to shareholders. This annual cash flow provides substantial capacity to simultaneously reinvest in the business for organic growth, pursue bolt-on acquisitions, pay down debt and return cash to shareholders through a compelling dividend as well as regular share repurchases. The Company expects to return over \$700 million through share repurchases and dividends in fiscal 2023, subject to market conditions, available cash on hand and cash needs, overall financial condition, and other factors considered relevant by our Board of Directors.

Dividend and Share Repurchases

As previously announced, Berry's Board of Directors declared a quarterly cash dividend of \$0.25 per share payable on September 15, 2023 to stockholders of record as of September 1, 2023. During the third quarter, Berry repurchased 1.4 million shares (or approximately 1.2% of shares outstanding) for \$83 million, leaving over \$625 million authorized for share repurchases at the end of the third fiscal quarter. Through the first three quarters of fiscal 2023, we have repurchased 6.9 million shares (or approximately 5.6% of shares outstanding) for \$416 million. Berry may repurchase shares through the open market, privately negotiated transactions or other programs, subject to market conditions. The Company continues to expect to repurchase at least \$600 million of stock in fiscal 2023, subject to market conditions, available cash on hand and cash needs, overall financial condition, and other factors considered relevant by our Board of Directors.

Fiscal Year 2023 Guidance

(based on information available as of August 9, 2023)

- Adjusted earnings per share of \$7.30
- Cash flow from operations of \$1.45 billion; free cash flow of \$800 million
- Anticipate returning at least \$700 million of capital to shareholders through share repurchases and dividends

Investor Conference Call

The Company will host a conference call today, August 9, 2023, at 10 a.m. U.S. Eastern Time to discuss our third fiscal quarter 2023 results. This call will be webcast live on Berry's website at <https://ir.berryglobal.com/financials>. A new, simplified event registration and access provides two ways to access the call. A replay of the webcast will be available via the same link on our website approximately two hours after the completion of the call.

By Telephone

Participants may register for the call [here](#) now or any time up to and during the time of the call, and will immediately receive the dial-in number and a unique pin to access the call. While you may register at any time up to and during the time of the call, you are encouraged to join the call 10 minutes prior to the start of the event.

Via the Internet

The conference call and accompanying webcast slides will also be broadcast live over the internet. To access the event, click on the following link: <https://ir.berryglobal.com/financials>. A replay of the webcast will be available via the same link on our website approximately two hours after the completion of the call.

About Berry

At Berry Global Group, Inc. (NYSE:BERY), we create packaging and engineered products that we believe make life better for people and the planet. We do this every day by leveraging our unmatched global capabilities, sustainability leadership, and deep innovation expertise to serve customers of all sizes around the world. Harnessing the strength in our diversity and industry leading talent of 46,000 global employees across more than 250 locations, we partner with customers to develop, design, and manufacture innovative products with an eye toward the circular economy. For more information, visit our [website](#), or connect with us on [LinkedIn](#) or [Twitter](#).

Non-GAAP Financial Measures and Estimates

This press release includes non-GAAP financial measures such as operating EBITDA, Adjusted EBITDA, Adjusted net income, Adjusted earnings per share, free cash flow, and comparable basis net sales, adjusted EPS and operating EBITDA. A reconciliation of these non-GAAP financial measures

to comparable measures determined in accordance with accounting principles generally accepted in the United States of America (GAAP) is set forth at the end of this press release. Information reconciling forward-looking operating EBITDA is not provided because such information is not available without unreasonable effort due to the high variability, complexity, and low visibility with respect to certain items, including debt refinancing activity or other non-comparable items. These items are uncertain, depend on various factors, and could be material to our results computed in accordance with U.S. GAAP.

Forward Looking Statements

Statements in this release that are not historical, including statements relating to the expected future performance of the Company, are considered "forward looking" within the meaning of the federal securities laws and are presented pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "would," "could," "seeks," "approximately," "intends," "plans," "estimates," "projects," "outlook," "anticipates" or "looking forward," or similar expressions that relate to our strategy, plans, intentions, or expectations. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates, and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments.

Our actual results may differ materially from those that we expected due to a variety of factors, including without limitation: (1) risks associated with our substantial indebtedness and debt service; (2) changes in prices and availability of resin and other raw materials and our ability to pass on changes in raw material prices to our customers on a timely basis; (3) risks related to acquisitions or divestitures and integration of acquired businesses and their operations, and realization of anticipated cost savings and synergies; (4) risks related to international business, including transactional and translational foreign currency exchange rate risk and the risks of compliance with applicable export controls, sanctions, anti-corruption laws and regulations; (5) increases in the cost of compliance with laws and regulations, including environmental, safety, and climate change laws and regulations; (6) labor issues, including the potential labor shortages, shutdowns or strikes, or the failure to renew effective bargaining agreements; (7) risks related to disruptions in the overall global economy, persistent inflation, supply chain disruptions, and the financial markets that may adversely impact our business, including as a result of the Russia-Ukraine conflict; (8) risk of catastrophic loss of one of our key manufacturing facilities, natural disasters, and other unplanned business interruptions; (9) risks related to weather-related events and longer-term climate change patterns; (10) risks related to the failure of, inadequacy of, or attacks on our information technology systems and infrastructure; (11) risks that our restructuring programs may entail greater implementation costs or result in lower cost savings than anticipated; (12) risks related to future write-offs of substantial goodwill; (13) risks of competition, including foreign competition, in our existing and future markets; (14) risks related to market conditions associated with our share repurchase program; (15) risks related to market disruptions and increased market volatility as a result of Russia's invasion of Ukraine; and (16) the other factors and uncertainties discussed in the section titled "Risk Factors" in our Annual Report on Form 10-K and subsequent filings with the Securities and Exchange Commission. We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. New factors may emerge from time to time, and it is not possible for us to predict new factors, nor can we assess the potential effect of any new factors on us. Accordingly, readers should not place undue reliance on those statements. All forward-looking statements are based upon information available to us on the date hereof. All forward-looking statements are made only as of the date hereof and we undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Berry Global Group, Inc. Consolidated Statements of Income (Unaudited)

	Quarterly Period Ended		Three Quarterly Periods Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net sales	\$ 3,229	\$ 3,726	\$ 9,577	\$ 11,074
Costs and expenses:				
Cost of goods sold	2,649	3,105	7,873	9,297
Selling, general and administrative	215	215	671	657
Amortization of intangibles	61	63	181	196
Restructuring and transaction activities	37	7	74	18
Operating income	267	336	778	906
Other expense	11	7	13	13
Interest expense, net	78	70	228	212
Income before income taxes	178	259	537	681
Income tax expense	35	52	114	148
Net income	\$ 143	\$ 207	\$ 423	\$ 533
Basic net income per share	\$ 1.20	\$ 1.61	\$ 3.50	\$ 4.02
Diluted net income per share	1.18	1.58	3.47	3.93
Outstanding weighted average shares (in millions)				
Basic	118.7	128.6	121.0	132.6
Diluted	121.1	130.7	121.9	135.6

Condensed Consolidated Balance Sheets (Unaudited)

(in millions of USD)

July 1, 2023

October 1, 2022

Cash and cash equivalents	\$	633	\$	1,410
Accounts receivable		1,748		1,777
Inventories		1,730		1,802
Other current assets		229		175
Property, plant, and equipment		4,651		4,342
Goodwill, intangible assets, and other long-term assets		7,558		7,450
Total assets	\$	16,549	\$	16,956
Current liabilities, excluding current debt		2,313		2,831
Current and long-term debt		9,212		9,255
Other long-term liabilities		1,637		1,674
Stockholders' equity		3,387		3,196
Total liabilities and stockholders' equity	\$	16,549	\$	16,956

Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>(in millions of USD)</i>	July 1, 2023		July 2, 2022	
Cash flows from operating activities:				
Net income	\$	423	\$	533
Depreciation		425		424
Amortization of intangibles		181		196
Non-cash interest, net		(45)		11
Settlement of derivatives		36		69
Deferred income tax		(94)		(66)
Share-based compensation expense		36		34
Other non-cash operating activities, net		18		(2)
Changes in working capital		(490)		(854)
Net cash from operating activities		490		345
Cash flows from investing activities:				
Additions to property, plant, and equipment, net		(560)		(556)
Divestiture (acquisition) of businesses and other		(88)		131
Net cash from investing activities		(648)		(425)
Cash flows from financing activities:				
Repayments on long-term borrowings		(687)		(16)
Proceeds from long-term borrowings		500		170
Repurchase of common stock		(415)		(637)
Proceeds from issuance of common stock		26		24
Dividends paid		(97)		-
Other, net		6		-
Net cash from financing activities		(666)		(459)
Effect of currency translation on cash		47		(25)
Net change in cash and cash equivalents		(777)		(564)
Cash and cash equivalents at beginning of period		1,410		1,091
Cash and cash equivalents at end of period	\$	633	\$	527

Non-U.S. GAAP Free Cash Flow:

Cash flow from operating activities	\$	490	\$	345
Additions to property, plant, and equipment (net)		(560)		(556)
Non-U.S. GAAP Free Cash Flow	\$	(70)	\$	(211)

Segment and Supplemental Comparable Basis Information (Unaudited)

<i>(in millions of USD)</i>	Quarterly Period Ended July 1, 2023				
	Consumer Packaging - International	Consumer Packaging - North America	Health, Hygiene & Specialties	Engineered Materials	Total
Net sales	\$ 1,036	\$ 798	\$ 657	\$ 738	\$ 3,229
Operating income	\$ 68	\$ 89	\$ 22	\$ 88	\$ 267

Depreciation and amortization	79	54	45	29	207
Restructuring and transaction activities	17	6	12	2	37
Other non-cash charges	6	2	2	1	11
Operating EBITDA	\$ 170	\$ 151	\$ 81	\$ 120	\$ 522

Quarterly Period Ended July 2, 2022

Reported net sales	\$ 1,096	\$ 927	\$ 788	\$ 915	\$ 3,726
Foreign currency and divestitures	(20)	13	7	1	1
Comparable net sales ⁽¹⁾	\$ 1,076	\$ 940	\$ 795	\$ 916	\$ 3,727
Operating income	\$ 82	\$ 104	\$ 56	\$ 94	\$ 336
Depreciation and amortization	78	53	44	28	203
Restructuring and transaction activities	3	1	3	—	7
Other non-cash charges	—	1	2	1	4
Foreign currency and divestitures	(2)	5	(4)	(2)	(21)
Comparable operating EBITDA ⁽¹⁾	\$ 161	\$ 164	\$ 105	\$ 123	\$ 553

(1) The prior year comparable basis change excludes the impacts of foreign currency, acquisitions, and divestitures. Further details related to non-GAAP measures and reconciliations can be found under our “Non-GAAP Financial Measures and Estimates” section or in reconciliation tables in this release.

Reconciliation of Non-GAAP Measures

Reconciliation of adjusted earnings before interest, tax, depreciation and amortization (EBITDA), Net income, and earnings per share (EPS)
(in millions of USD, except per share data amounts)

	Quarterly Period Ended		Three Quarterly Periods Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net income	\$ 143	\$ 207	\$ 423	\$ 533
Add: other expense	11	7	13	13
Add: interest expense	78	70	228	212
Add: income tax expense	35	52	114	148
Operating income	\$ 267	\$ 336	\$ 778	\$ 906
Add: restructuring and transaction activities	37	7	74	18
Add: other non-cash charges	11	4	48	18
Adjusted operating income ⁽²⁾	\$ 315	\$ 347	\$ 900	\$ 942
Add: depreciation	146	140	425	424
Add: amortization of intangibles	61	63	181	196
Operating EBITDA ⁽²⁾	\$ 522	\$ 550	\$ 1,506	\$ 1,562
Net income per diluted share	\$ 1.18	\$ 1.58	\$ 3.47	\$ 3.93
Other expense, net	0.09	0.05	0.11	0.10
Restructuring and transaction activities	0.31	0.06	0.61	0.13
Amortization of intangibles from acquisitions ⁽¹⁾	0.50	0.48	1.48	1.45
Income tax impact on items above	(0.18)	(0.14)	(0.44)	(0.40)
Foreign currency, acquisitions, and divestitures	—	0.01	—	(0.12)
Adjusted net income per diluted share ⁽²⁾	\$ 1.90	\$ 2.04	\$ 5.23	\$ 5.09

Estimated Fiscal 2023

Cash flow from operating activities	\$ 1,450
Net additions to property, plant, and equipment	(650)
Free cash flow ⁽²⁾	\$ 800

(1) Amortization of intangibles from acquisition are added back to better align our calculation of adjusted EPS with peers.

(2) Supplemental financial measures that are not required by, or presented in accordance with, accounting principles generally accepted in the United States (“GAAP”). These non-GAAP financial measures should not be considered as alternatives to operating or net income or cash flows from operating activities, in each case determined in accordance with GAAP. Organic sales growth and comparable basis measures exclude the impact of currency translation effects and acquisitions. These non-GAAP financial measures may be calculated differently by other companies, including other companies in our industry, limiting their usefulness as comparative measures. Berry’s management believes that adjusted net

income and other non-GAAP financial measures are useful to our investors because they allow for a better period-over-period comparison of operating results by removing the impact of items that, in management's view, do not reflect our core operating performance.

We define "free cash flow" as cash flow from operating activities, less net additions to property, plant, and equipment. We believe free cash flow is useful to an investor in evaluating our liquidity because free cash flow and similar measures are widely used by investors, securities analysts, and other interested parties in our industry to measure a company's liquidity. We also believe free cash flow is useful to an investor in evaluating our liquidity as it can assist in assessing a company's ability to fund its growth through its generation of cash.

Adjusted EBITDA is used by our lenders for debt covenant compliance purposes. We also use Adjusted EBITDA, Operating EBITDA, and comparable basis measures, among other measures, to evaluate management performance and in determining performance-based compensation. Operating EBITDA is a measure widely used by investors, securities analysts, and other interested parties in our industry to measure a company's performance. We also believe EBITDA and Adjusted net income are useful to an investor in evaluating our performance without regard to revenue and expense recognition, which can vary depending upon accounting methods.

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