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Chairman & CEO

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Document includes important disclaimers at the conclusion of transcribed comments

Presentation

Operator

Greetings, and welcome to the Ball Corporation First Quarter 2024 Earnings Conference Call. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Brandon Potthoff, Investor Relations for Ball Corporation. Thank you, sir. You may begin.

Brandon Potthoff
Director, Head of Investor Relations

Thanks, Christine.

Good morning, everyone. This is Ball Corporation's conference call regarding the company's first quarter 2024 results. The information provided during this call will contain forward-looking statements. Actual results or outcomes may differ materially from those that may be expressed or implied. Some factors that could cause the results or outcomes to differ are in the company's latest 10-K and other company SEC filings as well as company news releases. If you do not already have the earnings release, it is available on our website at ball.com.

Information regarding the use of non-GAAP financial measures may also be found in the notes section of today's earnings release. In addition, the release includes a summary of noncomparable items as well as a reconciliation of comparable net earnings and diluted earnings per share calculations. References to net sales and comparable operating earnings in today's release and call do not include the company's former aerospace business, year-over-year net earnings attributable to the corporation and comparable net earnings do include performance of the company's former aerospace business through the sale date of February 16, 2024.

I would now like to turn the call over to Dan Fisher, CEO.

Daniel William Fisher
Chairman & CEO

Thank you, Brandon.

Before we discuss Ball's strong earnings and improved volume performance, I would like to thank all of the Ball team members that worked tirelessly to achieve the successful aerospace business sale on February 16, 2024.

Sale proceeds were immediately put to work to reduce our leverage, strengthen our balance sheet and return value to shareholders. In addition, I would also like to share that Ann Scott has announced her retirement as Head of Investor Relations after 37 years with the company. Just this week, Ann's first grandchild, Isabella Ann, arrived safely into the world. Needless to say, we all know what Ann will be doing in retirement, babysitting, golf and being a lifetime Ball cheerleader. Ann will provide behind-the-scenes support to Ball through the end of the year. So as she winds down her time as a full-time employee, feel free to extend your well wishes via her Ball e-mail.

As you can tell from our call introduction today, our Investor Relations succession plan has been activated with Brandon taking the lead as the head of the department. Congratulations to Ann and her family on the new grand baby and her well-earned retirement and for your support of Brandon and Miranda as they take the next steps in their careers at Ball.

Today, I'm joined on our call by Howard Yu, EVP and CFO. I will provide some brief introductory remarks. Howard will discuss the first quarter financial performance and key metrics for 2024 and then we will finish up with closing comments and Q&A.

Our team delivered strong first quarter results following the successful and earlier-than-anticipated sale of the aerospace business during the quarter. Global beverage can shipments increased 3.7% in the quarter, and we immediately executed our plans to deploy sale proceeds to deleverage and initiate a large multiyear share repurchase program.

Reflecting further on year-to-date 2024 performance, aluminum packaging continues to outperform other substrates across the globe. In North America and EMEA, first quarter volumes exceeded our internal expectations as customers pulled forward volume in preparation for the summer selling season, following notable fourth quarter 2023 destocking.

In South America, strong volume performance driven by our customer mix and warm weather continued in Brazil. For a complete summary of regional shipments for the first quarter, please refer to today's earnings release. Given seasonality, our customer mix and incorporating first quarter regional volume performance, we anticipate full year global shipments to grow in the low to mid-single digits range.

Key drivers in 2024 are the benefits of deleveraging, repurchasing shares, improving operational efficiencies and fixed cost absorption, and leveraging our well-capitalized plant assets to grow the use of innovative, sustainable aluminum packaging across channels, categories and venues. In addition, to further actions to strengthen the balance sheet and reduce long-term liabilities.

Based on our current demand trends and the previously mentioned drivers, we are positioned to grow comparable diluted EPS mid-single digits plus off 2023 reported comparable EPS of $2.90 per share, generate strong free cash flow, strengthen our balance sheet and return of value in the range of $1.5 billion to shareholders via share repurchases and dividends in 2024. We look forward to showcasing our team and unveiling our future operating model and long-term growth plans at our biannual Investor Day scheduled for June 18 in New York City at the New York Stock Exchange.

With that, I'll turn it over to Howard.

Howard H. Yu
Executive VP & CFO

Thank you, Dan.

Turning to our results. First quarter 2024 comparable diluted earnings per share was $0.68 versus $0.69 in the first quarter of 2023. First quarter sales decreased slightly due to the pass-through of lower aluminum prices and lower volumes in North America, offset by the pass-through of inflationary costs and increased volumes in South America.

First quarter comparable net earnings of $217 million were flat year-over-year, primarily due to improved year-over-year performance in North America, EMEA and South America, offset by lower year-over-year results in nonreportable other, which were driven by improved comparable operating earnings in our aluminum aerosol business, being more than offset by noncomparable SG&A costs associated with the aerospace sale and higher year-over-year undistributed costs, which are detailed in footnote 2 of today's release.

In North America, segment earnings exceeded our expectations and offset notable year-over-year headwinds associated with the U.S. beer brand disruption and the favorable benefits of the virtual power purchase agreement termination. The earlier-than-anticipated closure of Kent plant, which permanently ceased production during the first quarter also aided results and supply-demand balance across our system. Benefits of effective cost management and plant efficiencies across our well-capitalized plant network will support incremental volume growth without spending incremental growth capital. We continue to anticipate sequential earnings improvement during the seasonal summer quarters, driven by modest volume improvement, improved fixed cost absorption and effectively managing risk.

In EMEA, the business continues to navigate varying consumer end demand conditions, particularly in Egypt. Overall, segment volumes were up slightly in the quarter following notable destocking by certain customers in late 2023. In recent weeks, demand trends have remained favorable, and the business continues to be poised for year-over-year comparable earnings growth in 2024, oriented largely to the second half and driven by volume and mix.

In South America, our segment volumes increased 26.3% in the first quarter, driven by strong demand in Brazil and our customer mix. The Brazilian can market was up 18% in the first quarter. We continue to monitor the dynamic economic situation in Argentina and potential scenarios that could impact results. We remain optimistic about Brazil and our ability to deliver sequential earnings and volume improvement as we exit the summer selling season in South America.

Additionally, in the first quarter of 2024 and up through the February 16 date of sale, our former aerospace business made $27 million of comparable operating earnings, which is included in the comparable net earnings of $217 million that I referenced earlier.

Moving on to additional key financial metrics and goals for 2024. We now anticipate year-end 2024 net debt to comparable EBITDA to below 2.5x. While we are currently at 2.2x at the end of the first quarter, net debt to comparable EBITDA will nudge slightly higher by year-end as the company starts payments of tax due on the gain of the sale of aerospace.

2024 CapEx is targeted to be in the range of $650 million, a year-over-year reduction of $400 million and largely driven by carry-in capital related to prior year's projects. We are on track to achieve our free cash flow target. Share repurchases are expected to be in the range of $1.3 billion by year-end. Through today's call, we have repurchased approximately $350 million in shares year-to-date, and earlier this week, the Board increased the share repurchase authorization to 40 million shares. The new authorization replaces all prior authorizations. This increased authorization will enable meaningful share repurchases during 2024 and beyond.

Our 2024 full year effective tax rate on comparable earnings is expected to be approximately 21%, largely driven by lower year-over-year R&D tax credit associated with the sale of the company's aerospace business. Relative to the estimated tax payments due on aerospace sale, the approximate $1 billion taxes due will be paid throughout the remainder of 2024. Full year 2024 interest expense is expected to be in the range of $320 million. Excluding the non-comparable aerospace disposition compensation costs, full year 2024 reported adjusted corporate undistributed costs recorded in other nonreportable are still expected to be in the range of $85 million. And earlier this week, Ball's Board declared its quarterly cash dividend.

Looking ahead to the rest of 2024, we remain laser-focused on operational excellence, driving efficiency and productivity across our business and cost management and monitoring emerging market volatility. We are committed to maximizing the full potential of our company over the long term. We have executed on derisking the corporation through recent debt retirements, and we have no significant near-term maturities. The runway is clear for us to activate near-term initiatives to consistently deliver high-quality results and generate compounding shareholder returns.

With that, I'll turn it back to Dan.

Daniel William Fisher
Chairman & CEO

Thanks, Howard.

Given the strong start to the year in 2024, we anticipate growing our comparable diluted EPS mid-single digits plus by offsetting the divestiture through growth in our aluminum packaging operations, interest income, lower interest expense and the benefit of a lower share count.

Looking ahead, we are focused on executing our enterprise-wide strategy to advance sustainable aluminum packaging solutions on a global scale by accelerating our pathway to carbon neutral and unlocking additional value from within the organization by driving continuous process improvement and operational excellence. Together, we will strive to deliver innovative aluminum packaging solutions that can lead to a world free from waste and embark on a path to deliver compounding shareholder returns in 2024 and beyond.

We very much appreciate the work being done across the organization and extend our well wishes to our employees, customers, suppliers, stakeholders and everyone listening today. Thank you.
And with that, Christine, we are ready for questions.

Question and Answer

Operator

Our first question comes from the line of Ghansham Panjabi with Baird.

Ghansham Panjabi
Robert W. Baird & Co. Incorporated, Research Division

First off, obviously, congrats to Ann, a huge resource for all of us and more importantly, a real class act and also our congrats to Brandon and Miranda also.

Daniel William Fisher
Chairman & CEO

Thank you for that.

Ghansham Panjabi
Robert W. Baird & Co. Incorporated, Research Division

Yes. So I guess, maybe, Dan, you could start off with just the updated thoughts on the outlook by the various regions. And obviously, there's lots of issues with comparability and customer issues and so on and so forth. So what do the markets feel like at this point?

Daniel William Fisher
Chairman & CEO

Yes, good question. I think South America, we saw the strength in the fourth quarter carried over in the first quarter, and our partner won in the market so we won along with them. So a really good start to the year. I think as it relates to Brazil, I think that economy continues to incrementally improve. We took a little bit of the refill glass back that we've talked about, so that's positive. So that's inflecting in the right direction. I think we'll probably increment higher this year versus our outlook in Brazil. And then Argentina is hanging in there. Howard and I were down there about 4 weeks ago. They're having a good crop. They'll get the proceeds from selling those agricultural commodities around the world here in the next couple of months, and then that should unlock some of their FX policies, which will certainly benefit us and derisk the balance sheet in that part of the world.

Yes. So we're seeing growth. We're seeing slightly ahead in South America, writ large. The only country that's probably flattish to a little negative versus our going-in assumptions is Chile, but it's really negligible in the grand scheme. As you know, it's really all about Brazil. And that's in a really good spot.

Europe, we saw growth ahead of what we anticipated. A couple of things are working in a favorable manner versus where we entered the year in terms of our assumptions. Number one, there was more destocking, I think, in Q4 across Pan-Europe and so I think some inventory levels got to a better position and look a lot closer to where they were heading prior to COVID. And then we're starting to see some pickup in the beer section in particular. So folks are going for volume a bit more than even we anticipated heading into the year in Europe. So that outlook looks great.

And then the watch out, of course, is going to be what happens in the Middle East and how that influences energy prices and the end consumer. But all the underlying parameters are slightly ahead of what we assumed heading into the year. So we're encouraged. Let's see how we get on in peak season.

And then Q1, I think, is the most challenging to architect and explain because of the year-over-year comparability. But the pull forward from Q2 into Q1 for us had a lot to do with one major brewer that was dealing with labor negotiations. And so we had to build some safety stock to potentially navigate some challenges there. So think in the area of $15 million to $20 million was pulled in from Q2 into Q1 versus our original assumptions. The balance of it, though, Ghansham, is you're really starting to see all of the structural changes and effects that we've made over the last 18 months. So we've rightsized operations, but more importantly, we've taken the higher cost facilities out. And so as you get volume running against a more productive and efficient portfolio, you're starting to see those benefits.

And so for us, our shipments are reflected at a slightly higher rate in the underlying scanner data. And then within our portfolio, some of our customers won in their areas, CSD in particular, beer is soft, writ large versus, I think, what we even expected heading into the year. So mix is going to play a pivotal role, I think, within the industry and player by player. And right now, we're encouraged by the mix that we have. So it's still going to boil down to Q2 and Q3. Our customers are still going to go for volume and peak season and a great start to the year and slightly improved performance across the world is great, and let's see how we get on in the next 6 months.

Ghansham Panjabi
Robert W. Baird & Co. Incorporated, Research Division

Okay. Very comprehensive. And for the second question, it's really two parts. One is just a clarification. In Note A, you called out $17 million of corporate interest income. What does that refer to first off? And then second, the $5.5 billion or so of net proceeds from the sale it looks like net debt is down $2.8 billion sequentially, a couple of hundred million for share buybacks. And I see the working capital, but I'm still having a tough time reconciling to that $5.5 billion or $6 billion. Can you help with that also?

Daniel William Fisher
Chairman & CEO

Sure.

Howard H. Yu
Executive VP & CFO

Yes. I'd say that the interest income is specifically just related to the cash that we got on hand. So we got almost $5.5 billion and so that plays into the increased interest income associated with that. As it relates to...

Ghansham Panjabi
Robert W. Baird & Co. Incorporated, Research Division

Is that included in EBITDA, sorry to interrupt.

Daniel William Fisher
Chairman & CEO

Yes, yes.

Howard H. Yu
Executive VP & CFO

Yes. In the corporate line, that's right.

Ghansham Panjabi
Robert W. Baird & Co. Incorporated, Research Division

Sorry, go ahead.

Howard H. Yu
Executive VP & CFO

Yes. And then as it relates to debt, yes, we anticipate that we would have paid down about $2.8 billion. Remember, the initial thoughts that we had in the quarter was that aerospace was being closed sometime after March 15. And we had a Euro-denominated debt that came due in the middle of March. And so we paid that down. So you couple that with the $2 billion that we referenced earlier around proceeds and where that would go. And so that's why you see the $2.8 billion debt retirement as well as knocking out some of the short-term debt and revolver and things like that, that we had. Clearly, with the cash on hand, we were going to go ahead and neutralize some of that interest expense as well.

And then we have talked about a $2 billion share repurchase over the next couple of years. I think we said that we were initially targeting about $1 billion of share repurchase here in 2024. Given the timing of the sale, we're a little bit ahead of that. And so now what we said is that we're going to target about $1.3 billion worth of share buybacks here in 2024, consistent with the authorization that was approved by the Board earlier this week as well and the 40 million shares to be repurchased.

CapEx, we anticipate that that's going to be about $650 million in the year, consistent with what we said. I think our interest expense at around $320 million is probably about $10 million better than we had originally indicated, and you're seeing that flow in as it relates to early timing as well.

Operator

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

Anthony James Pettinari
Citigroup Inc. Exchange Research

Congratulations to Ann and to Brandon and Miranda. I think I can't say enough good things about Ann and the job that she's done over the years. So congratulations.

Just looking at North America, I think if you back out the energy benefit from last year, EBIT was up almost 25% on kind of flattish or down volumes. You talked about the fixed cost reductions from plant closures. I'm just wondering if there's anything more than that or any kind of finer point you can put on that in terms of the cost that you've been able to take out as sort of the operational performance within North America?

Daniel William Fisher
Chairman & CEO

I will take a shot at this and then ask Howard to chime in. Yes, it's the fixed cost absorption. Straight line from the immediacy of the closure of the facilities and its improved performance across the portfolio. I think we've commented on this before. Probably versus 5 years ago, we've lost a couple of points, potentially 3 points of efficiency across our portfolio of assets in North America, and now we're gaining on that. So you're seeing the combination of the fixed cost benefits of the plant closures and the higher-cost facilities, coupled with the fact that we're running better. So a lot of folks that are now 2 or 3 years in have come up the learning curve and they're performing better. So I think it's the combination of those two things. So I think it's really the underlying performance of the facilities in the region. They're doing a really nice job.

Anthony James Pettinari
Citigroup Inc. Exchange Research

Got it. Got it. And then in South America, you had a great result with volumes up, I think, 26%, but EBIT up 10%. Can you talk about any kind of price cost dynamics in South America or the lag in EBIT growth. Is that Argentina related? Or just help us reconcile that?

Howard H. Yu
Executive VP & CFO

Yes. Sure, Anthony. Let me go ahead and take a shot at that one there. I think South America was in its peak season. And so the way we think about it Brazil was performing very well in Q4. So really, you got to think about it in the context of the entire season and some of the mix and timing will change. And so if you think about what we said in Q4, the performance we had in Q4 in South America, we had about low single-digit growth of something around 2%, growth and operating earnings was up 60%. And so coupling that with the performance here in the quarter at 26%volume growth and then 10% operating earnings. If you look at it holistically for both those quarters, we're up about 12% volume and over 40% EBIT as it relates to operating earnings. And so that's the way we think about it. Mix as it relates to cans and ends, those things will obviously play into this particularly in South America, and we're seeing that overall. So I think of it more in the context of the overall busy season for them and how successful it's been holistically.

Daniel William Fisher
Chairman & CEO

In the simplest way, we've talked about this for years and years and years and you've heard us talk about. And can and end shipments, right? So we ship more ends in the fourth quarter than we did in the first quarter. So the balance of the entirety of the portfolio, really, that's where the volatility lies in terms of leverage. It's not isolated within the quarter. You kind of have to look at it throughout the entirety of peak season. And that's the overwhelming gist of it. So we're happy with the leverage fall through with over the 6-month period.

Operator

Our next question comes from the line of Arun Viswanathan with RBC.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

Just wanted to get your thoughts on how volumes in North America should evolve now that you're anniversary-ing the Bud Light situation. We've also heard of some share shifts within the industry. So yes, maybe you can just kind of give us your thoughts and if there's any category discussion that would be helpful or promotional kind of view as well.

Daniel William Fisher
Chairman & CEO

Yes. So we've spoken about, and I think it's well known within the industry that there was a share shift one brewer [Molson Coors] to the tune of approximately 2 billion units, that's already happened. That's in our numbers. So we lost the 2 billion and multiple competitors picked that up and incremented up. And we've got line of sight to fill that hole this year. If you go back to previous call and the assumptions we laid into North America for 2024, we thought we'd be negative obviously, in the first quarter, not only for the lapping the major brewer disruption, but the dislocation of this volume. We've already won a couple of big chunks of business, and you will start to see that flow in the back half of the year. So that's where we geared toward flat in North America. So the 2 billion pick up, roughly a similar amount and you'll inflect in the back half of the year with volume. Obviously, the size of that volume and the mix of that volume now plays out within the next couple of quarters, but you should still see increments of volume lift here through the balance of the year in North America.

We think the industry is in that 1% to 2% growth range. Beer is a little softer, CSD is a little better. Mix will matter. Energy continues to grow. Mix will matter in promotional activity in peak season and the health of the end consumer, that's going to play out and determine whether it's 1%, 2%, a little north of that, a little south of it. But for us, we're really comfortable regardless of whether we're growing flat to down a little or up a little. We've got really good line of sight into the operating earnings and the cash generation of the business.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

Great. And then we've obviously seen some volatility on the aluminum price side. Maybe you can just comment on how that would impact you going forward? I think your customers have some hedging programs in place, but would that also impact demand levels if they opt to push price to cover some of that inflation? And especially in Europe, I guess, I'm just curious if there would be any potential headwinds from metal premium pass-through?

Daniel William Fisher
Chairman & CEO

Yes. I think it's probably much about nothing at this point. We're coming off of incredibly low aluminum prices right now in a historical context. That seems to be the preferred package. There's a shift toward that in a number of parts of Europe. I guess the watch out is what's happening in the Middle East, right? I mean is that going to inflect significantly energy prices. Some mills and some aluminum is protected because it's nuclear power or it's tied up with other energy sources that aren't fed out of that part of the world, but it's certainly something that would impact the end consumer, not our customers' behavior patterns at this time. We're not having any conversations that would give us pause or concern. In fact, it's just the opposite at this point. They're more aggressively going in and working on taking share and are using the can to do that.

So I think it's a watch out. It always is, but what we're seeing right now is not of a concern. And overwhelmingly, what everybody has learned, to your hedging question in particular, I think folks got caught a little upside down over the last 2 to 3 years in some instances. And I think they paid a lot more attention to hedge strategy and kind of protecting where they are. If they locked in hedges, they'd be locking in those hedges at kind of all-time low levels. So I'm a little bit more encouraged by the structure of the industry and the behavioral patterns. And then obviously, the watch out is what's going on in the Middle East and does that have any impact.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

Great. And congrats again to Ann and Brandon as well. Definitely, we'll miss speaking with her and getting her perspective.

Operator

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

George Leon Staphos
BofA Securities, Research Division

Thanks for the details. Everyone said it, but I'd like to as well. Just Ann congratulations, first on your grand baby, but also for being such a resource to all of us over the last number of years, you are the legend in the industry. And congratulations to Brandon and Miranda on their increased responsibilities.

Okay. So in terms of operations, Dan, you had mentioned that you're still trying to claw back that 2% to 3% operating efficiency loss over the last few years. Where do you stand in that regard? Forgetting about the actual plant closure benefits. What do you stand in terms of that recovery? And in terms of how that lean or benchmarking is showing up on a day-to-day basis?

Daniel William Fisher
Chairman & CEO

Yes. We've got, George, latest numbers that I've seen. We picked up probably 1% of the 3% we've got back. And it's showing up, principally in reduced over time. It's showing up in spoilage. The older assets that were retired, I would say, have contributed 80% of that improvement So I think we've just scratched the surface on getting to the other 2%, 2.5%, if you will, across the existing portfolio of new assets.

So we still have a bit of runway. I mean that's a meaningful number on when you apply it to roughly 50 billion units. And so we're in early innings. But we're inflecting here over the back half of the year. So we're counting on continued improvement. We'll talk more about this at our Investor Day and how we're structured in terms of the operating model, and we can point to this in, I think, more granularity than we've talked about historically. But I would say roughly, we've shuttered the facilities to pick up 1% of the 3%. And now we've got to work on the remaining assets that are in place to continue to grow into that too, and we're early innings on getting it, but it is showing up incrementally.

George Leon Staphos
BofA Securities, Research Division

Okay. I mean, I guess, we'll talk about it in June, but a pushback could be, okay, well, you got 1 point because you shut a facility and then the remaining 2 or 3 is going to be tougher to get at because it's got to come from ongoing. So do you have any comment on that? That would be great, if not, we can stay with the June.

Daniel William Fisher
Chairman & CEO

Yes. I would say no, that's not true. It's going to be easier because this is roughly 1,200 new employees that are 3 years of service in and they're learning how to make cans. And so this is incremental in terms of the learning curve. This is not different than at any point in time when we talk about an 18-month, 24-month ramp-up on facilities. I think about it in that context. We don't have attrition at the levels that you did, obviously, during COVID. We will gain on this and we will gain on this in a pretty methodical and pragmatic and a very prescriptive manner. So I'm encouraged that we will get this back here over the next 18 to 24 months.

George Leon Staphos
BofA Securities, Research Division

Next question. So in Brazil and sort of piggybacking on what Anthony had teed up. Was there any sort of operating issues in terms of the lack of profit leverage versus the volume leverage? Again, I know you said we should look at it holistically. Did you lose any share to your knowledge with any customers recognizing in a quarter where you're growing 18% or whatever the number might have been depending on the customer or the market, the answer is probably no. But any operating issues that we should take away? Any customer loss issues or if things were very much as expected in the quarter in South America and in Brazil?

Daniel William Fisher
Chairman & CEO

Yes. Thanks. So Brazil grew at 18%, we grew at 26%. So no, we didn't lose anything. In fact, you could say we incremented share positions. If this is 100%, George, just to be clear, it is end sales that were heavier mix in the fourth quarter versus the first quarter. And so that's what it is. So we shouldn't have been up 60% earnings on 2% growth in the fourth quarter. So if you kind of mix that end issue, which we've talked about forever in a day, it's just lumpy, and it's incredibly profitable because of the tax jurisdictions down there. Yes, nothing fundamental. It's not Argentina. It's not pricing mechanisms and contracts, All of that's really stable.

George Leon Staphos
BofA Securities, Research Division

Understood. My last two ones quick. Number one, just piggyback again on the aluminum question, recognizing it's a watch out, but not something you're terribly concerned about. I know over the last couple of years, 3 years, you've probably been working on supply chain, clearly, with a lot of this inventory now showing up, or a lot of this aluminum showing up in inventory and warehouse that might not be able to be used because of the sanctions. What are the risks and how are you planning against it if there is some sort of mill disruption somewhere around the world that we don't see some spike, some tightening in an aluminum therefore can sheet, what are your thoughts there and how you're planning against that?

And then last, can you just give us a little bit more color on the payout that was related to the aerospace sales? Again, congratulations. It was obviously a favorable valuation. But kind of what went into that number? Congratulations on 1Q.

Daniel William Fisher
Chairman & CEO

Thank you very much. So we've learned a lot. This may be a little long-winded answer in terms of our price cost and managing the risk, managing tariffs, managing sanctions as it relates to your inventory supply. We've gotten a lot better at this since the tariffs were put in place in 2016. We've got 21 different metal programs. So metal that would be of concern on sanctions, we're really not shipping it to countries where that's even in conversation. So it will be going to places that it can be used, where there's trade relations with those countries that may have some concerning trade routes or unintended consequences.

So we're managing those. We've derisked that over the last handful of years, and we've gotten pretty good at that, understanding what's going on relative to those conversations and how we get out ahead of it. So it's less of an issue. I agree. I mean, 4 or 5 years ago, we spent an inordinate amount of time on things just like that because it wasn't in the ethos, it wasn't in our management patterns and our cadence of conversations, in our S&OP process. But I think it's pretty well under control, not to say that the world is not going to change here suddenly, and we need to manage it. But I would put this in the category of very low risk for us at this point in terms of just how we're managing our portfolio.

And then I'll let Howard weigh in on some of the proceeds comments again.

Howard H. Yu
Executive VP & CFO

Sure, George, that is a noncomparable compensation component associated with the aerospace sale. Part of the variable performance-based compensation plan for Ball employees. I think the way we think of it is the magnitude of the impact of this disposition causes the expense to be not normal. And so we've recognized approximately a $4.7 billion after tax gain on this disposition which is unprecedented, of course, and not likely to ever recur. And so for that reason, we're treating that as a noncomparable compensation component associated with that.

Operator

Our next question comes from the line of Edlain Rodriguez with Mizuho.

Edlain S. Rodriguez
Mizuho Securities USA LLC, Research Division

Again congrats to Brandon and Miranda and Ann, we're going to miss you.

Quick one on Europe. Clearly, a better start to the year, better than expected. But are you seeing any fundamental improvement in terms of consumer spending improving? Like what was the surprise, what are you seeing there?

Daniel William Fisher
Chairman & CEO

Great. Yes. So I think it's twofold. I wouldn't say end consumers are spending more. I would say the relative inflation versus payroll mechanism and then the promotional activity for our customers is impacting and influencing volume. And the other piece is the there was an unwind to an unnatural inventory level by retailers, by our customers at the end of Q4. And so they built that up a little bit. So it's probably half of Q4 to Q1, if you will, inventory stocking, getting back to a more normalized baseline. And then some really some more aggressive behaviors from the customers across Europe that has enabled a little bit more volume. It's not incredibly exciting, but it's better than we anticipated heading into the year.

But I wouldn't say there's more spend by going into these categories, I would say it's a little bit substrate shift, little bit favorable category, the can certainly winning versus the other substrates. That gap has widened probably more in Europe than in any other region relative to the trade-offs from glass and plastic into cans. So we're the beneficiary of that, but I wouldn't chalk it up to a lot more spend happening. I think we're the beneficiaries of the mix.

Edlain S. Rodriguez
Mizuho Securities USA LLC, Research Division

Okay. Makes sense. And another one, in terms of like the share repurchase, I mean then, how do you balance the pace of that share repurchase? Like with your commitment to buy back shares at higher prices I mean, of course, it's a high-class problem to have, but how do you balance the pace of that?

Howard H. Yu
Executive VP & CFO

Yes, Edlain, I think we're committed to getting back to it. I mean we had a pause for a few years as it relates to share buyback, and I think that we've consistently heard from our shareholders as well that returning that in some measurable fashion and on a consistent basis is important. And so we're just starting in this program, right? I think we've mentioned that we bought about $350 million worth of shares here. And we'll be thoughtful, clearly, as to how the stock price is going. And even as it relates to what vehicles we use to buy back some of that share. We do have a long history of utilizing different instruments. I mean the 10b-18 when the blackout is not there and the 10b-51 when the blackout is there, and then we'll look at things like smaller ASRs as well if the volatility and the economics work for us.

And so we're looking at all those things holistically in conjunction with the board and we're being thoughtful about them. What we do believe that for this year, we'll spend about $1.3 billion worth of share buyback. Combined with our dividend policy, that will return about $1.5 billion back to the shareholders.

Daniel William Fisher
Chairman & CEO

And then relative to elevated stock price. I mean we're very comfortable in buying back our shares at this level still, that's absolutely something that we talk to our finance committee and our board with and we model things internally. And yes, we're very comfortable returning value back to our shareholders right now at these levels and even elevated above this but it's definitely something that we'll look at. But where the stock is, even trading up today we're very comfortable buying back shares at this level. So it's a great question. And it's, hey, let's see how we get on here over the next 3 to 6 months, but I think we owe it to return value back to our shareholders at the levels that we're talking about for the foreseeable future. And it's a really good mechanism in behavior to return value if we're generating more free cash flow, generating more earnings, we have plenty of dry powder to do things as they present themselves in terms of bolt-on M&A, et cetera. So I think we can do all of it. And that's kind of how we're looking at it at this point.

Operator

Our next question comes from the line of Adam Samuelson with Goldman Sachs.

Adam Samuelson
Goldman Sachs Group, Inc., Research Division

Let me extend also my congratulations to Ann on her retirement and addition to the family.

Maybe I wanted to come back to the cash flow side first. Maybe, Howard, I just want to clarify, you talked about $2.8 billion of debt in the quarter. I believe that was higher than what had been initially kind of targeted, maybe there's some timing component to that. Did you also reduce the factoring programs on receivables? Or is that a cash outflow that is still yet to occur is obviously a lot of moving pieces on the balance sheet, I'm trying to make sure we understand what has happened and what has not in the cashflow.

Howard H. Yu
Executive VP & CFO

Yes, Yes, no problem, Adam we did retire $2.8 billion of debt but recognizing we closed the sale earlier we had to do about EUR 750 million denominated debt that was retired. And so that equates to the essentially additional USD 800 million of that gets us to the $2.8 billion in the quarter.

As it relates to factoring, given the cash that we had on hand, we did move forward with the factoring in a meaningful way. We probably did more of the unwinding here in the first quarter than we would anticipate for the full year. And so that was to the tune probably about $1.1 billion. But by year-end, we're going to stay with our goal of unwinding about $0.5 billion of AR factoring by the end of this year. So you'll see that going a little bit the other way throughout the course of this year as we have a $1 billion tax payment that we're going to have to make here in 2024 more in the second quarter and through the second half as well.

Adam Samuelson
Goldman Sachs Group, Inc., Research Division

Okay. That's very helpful. And if I could maybe just follow up as we maybe take a step back because there's a lot of moving pieces within comparable EPS growth off the $2.90 last year that obviously had aerospace earnings in it. You pay off debt, there's interest income, reduced factoring expense, share repurchase, tax rate inches up. Maybe if we step back and we think about the 3 core beverage can kind of operating units, globally, Dan, you talked about low to mid-single-digit volume growth, what should we think about the operating profit growth in those core business units off that level of growth? Obviously, in the first quarter, especially North America, had some favorability, but help us think about what that core operating leverage to look like with that kind of volume growth this year?

Howard H. Yu
Executive VP & CFO

I would say overall, Adam, that we anticipate operating leverage to continue on here, and you'll see that. What we've said as it contextualizes EPS is mid-single-digit plus on a year-over-year basis. We've said that the aerospace sale would essentially be neutral for us on an EPS standpoint, given the operating earnings loss associated with aerospace, but the pickup associated with the additional cash, whether it be interest income, reduction in interest expenses, we've retired debt. And as we go ahead and improve on some of these factoring programs. So we've said that for the full year, the EPS would be neutral associated with the aerospace sales. Think of it in the context of a 2x leverage.

Daniel William Fisher
Chairman & CEO

Yes. I think for the core beverage business, it's significantly higher than the historical 2x leverage if you were to back out the nearly $30 million of onetime purchase power agreement. So it's still in excess of the 2x leverage. I think somewhere in the neighborhood of $100 million of operating earnings we're going to get out of the beverage business and an improved result year-over-year and that obviously has the lapping of the $30 million onetime benefit.

Operator

Our next question comes from the line of Phil Ng with Jefferies.

Philip H. Ng
Jefferies LLC, Research Division

Congrats on the strong quarter. And like everyone else, I wanted to thank Ann for all her help over the years, and congratulations to Brandon and Miranda as well.

I guess my first question is really the free cash flow power of the business, certainly noisy with the aerospace sale this year. Can it be helpful, Howard, perhaps to give us a little more perspective on how you think about CapEx as we look out to 2025 and beyond, maybe 2026? It's been a big growth CapEx cycle. So just give us a little more context on how to think about that, the free cash flow and certainly a high-class problem to have, but how should we think about buyback as well? Pretty steady dose every quarter, more opportunistic if the pullback? Just kind of give us a little playbook and how you're thinking about the pace of buybacks.

Howard H. Yu
Executive VP & CFO

Yes. So sure, Phil. Let me go ahead and get into that a little bit. As it relates to free cash flow, I think the way to think of it is, say, we're anchoring to a normalized free cash flow in the $900 million to $1 billion range. That excludes some of the impact of the factoring unwind, and we talked about that in the context of about $500 million. Dan has talked about the operating cash generation of this business and how rich that is. And so we believe that that's going to help fuel the share buyback even into years that you specified.

As it relates to CapEx the way we think about it here is getting CapEx in the ballpark of GAAP D&A on a consistent basis. I recognize that over the last few years, that CapEx had been a little bit outgrown. And so we're returning back to that discipline of getting CapEx into the D&A envelope. And we think that, that's going to happen here for the next few years as well.

As it relates to share buyback as Dan said, I mean, we feel good about the price that it's at and we'll continue to buy and if there is any, reason at all, reason for us to be a little bit more opportunistic because of the prices, then we'll look at that as well. I think the greater point here to know is that we're going to return to a consistent buying back of shares, something that we had paused on for a few years here, and we'll do that here in 2024. We'll do that here in 2025. And no reason to think that we wouldn't do that going forward beyond that.

Daniel William Fisher
Chairman & CEO

In the simplest manner, we are running our business, the expectation of running our business enterprise-wide is that net income equals free cash flow. So as I don't want you to think about locking us in at $900 million of free cash flow. As our margins expand, we will mitigate the working capital build associated with the growth. And if you're in that 2%, 3%, 4%, you should be able to manage that. We got room to do that. We spend that GAAP D&A levels and some years it will be less, some years it might be a bit more. But we should be generating a steady diet of free cash flow and returning that back to our shareholders consistently. To your point, there may be some opportunities with a pullback where we can do some more. But I think you should be locking in that you're going to get an overwhelming majority of that free cash flow coming back to you in the form of dividends and share buybacks, over $1 billion share buybacks for the foreseeable future.

Philip H. Ng
Jefferies LLC, Research Division

Okay. That's great. And Dan, you gave a little more perspective on Europe. It sounds like still kind of a choppy environment, but good to see some restocking. How are your customers gearing up for the busy summer months. Certainly, there's some big sporting events like the Olympics and the Euros and stuff of that nature. Are they gearing up for that? And then I think on your prepared remarks, you made some comment about perhaps Europe's recovery would be more back half-weighted. Give us a little more perspective why perhaps the back half is a little better than the front half?

Daniel William Fisher
Chairman & CEO

Yes. Entering the year, it was really the comments were more macro related and end consumer and the strength of the end consumer. We got the benefit of the restock and a little bit more favorable behavior by our customers kind of pushing volume. But we thought that there would be a natural tendency for inflation to come back and for the regasification projects that come online. So there would be more room for optimism in the second half of the year, and that's really what we heard from our customers as well.

Your point about the Euro Cup certainly is helpful. I get more excited about the soccer "football" drinking behaviors than I do about the Olympics drinking behaviors. So that generally moves the needle a lot more than the Olympics, if you will. So that will be helpful, and we've certainly heard especially our larger beer customers and elements of Western Europe. So yes, it's really macro related. And I think a lot of those things are still playing out in a more favorable manner with the watch out being what happens in the Middle East as it relates to energy prices and how does that impact the end consumer. But we're encouraged.

Nothing contractual is coming online. It's incredibly stable. We're starting to see increments of better pricing behaviors, a little stronger end consumer, substrate shift continues to manifest in a favorable manner for us, especially as it relates to glass moving into cans. So a bunch of small things kind of add up to a more improved outlook in the second half of the year. And we haven't seen anything that would influence or impact that to the negative, if anything, may be an increment higher.

Philip H. Ng
Jefferies LLC, Research Division

Got it. And then just one more for me. On North America, if I heard you correctly, you had some pull forward earnings from 2Q to 1Q. Do you still expect North America earnings to be up year-over-year in 2Q. And then give us a little update. I think there's been some movement in North America as well with the shelf space reset on the beer side. And one of your larger peer customers, I believe, is still dealing with some ongoing labor issues, I think, down in Texas. Any update on that front and how you're kind of managing that?

Daniel William Fisher
Chairman & CEO

Howard, why don't you cover the earnings, and I'll get back over to the union issues.

Howard H. Yu
Executive VP & CFO

Yes. I think that's right, Phil. I do think that year-over-year earnings will still increment upwards here in the second quarter despite some of the pull-in from Q2 to Q1. I think as Dan said, it's probably $10 million or $15 million that improved the first quarter. But despite that, we still anticipate that we'll have some reasonable growth as it relates to operating earnings in the second quarter as well.

Daniel William Fisher
Chairman & CEO

Yes. I think the shelf resets have been communicated really well and there's been a couple of folks that have won disproportionately, and we anticipated that in our numbers. So nothing's moved up, down or sideways. I would say even with the shelf reset, I think the beer category is down. So I think it's less about the category reset, and it's more about beer and how they get on with promotional activity in the peak season, are they going to drive volume.

And then, yes, we're connected with our plants in Texas with that particular brewer. They're doing a really nice job of managing it right now, but it's still ongoing. It hasn't been resolved, but we're certainly working with our partner to make sure that we're running what we can, and it's being effectively managed. And I think this is a bit of the way of the world right now as it relates to some of the strength of the unions, broadly speaking, and kind of the manufacturing base. So we had to also work with another major brewer in the quarter to work toward mitigating any supply chain shifts so I think we're all coming to a realization that this is probably par for the course moving forward, and everybody is getting aligned to have more thoughtful conversations in and around when these contracts come up across the industry and making sure that collectively throughout the system, we can manage them.

Operator

Our next question comes from the line of Pamela Kaufman with Morgan Stanley.

Stefan Diaz
Morgan Stanley, Research Division

This is actually Stefan Diaz sitting in for Pam. And just to echo my colleagues, congratulations to Ann and Brandon and Miranda for the increased responsibility.

Now that the aerospace deal is closed and proceeds are in hand. Can you give any details around the potential innovation investments?

Daniel William Fisher
Chairman & CEO

Yes. It's a good question. We have an underlying thought process that we're always investing. There's a combination of R&D that hopefully ends in the commercial innovation projects. And I think you'll hear this from just about everyone that the opportunity set for us is different by region, but innovation as it relates to getting a constructive package that can replace plastic. And the big linchpin there is going to be resealability. And I think there's a lot in that area that's being worked on and it's being worked on by everyone in the industry and all of our customers. So those will be the big unlocks.

And then there's some pretty interesting stuff that's going to be coming out as it relates to new products. These are also applications that benefit substrate shift. I think that's the real focus of innovation more so than a unique graphic depiction, et cetera. It's like can you have a package that is easily transferable into whatever the benefits of the other substrate are, and can you offset those and then you've got a far more circular and a better, I think, sustainable package that gets to supplant that. And so that's where that focus is.

And then in terms of new products, there's a lot that's happening in the CSD space. There's a lot happening, better health, lower calorie, lower sugar, that's all real. And then very creative outlooks as it relates to alcohol categories, new alcohol categories and then substrate application for us. That's where the innovation is. But I would say nothing that would be incrementally different in terms of our spend behavior just because we have a stronger balance sheet. These are things that we're working on and working on with our partners. And as it makes sense and as it can be commercialized at scale, we're generally the right person, right company to do that. And so that's how we're looking at innovation right now.

Stefan Diaz
Morgan Stanley, Research Division

Great. And then I believe your initial volume guide was for low single digits globally, and now you expect low single digit to mid-single digits. Is the raise at the top end based on strong 1Q? Or do you expect better demand throughout the year now? And maybe what do you need to see to hit the top end of that guide?

Daniel William Fisher
Chairman & CEO

Yes. Peak season dependent. Just to be abundantly transparent. I mean if I'm talking about 3.4% growth versus 3.3%, I think the 3.3% starts to look like mid-range. I would say we got out ahead of the gate. We had favorable mix in South America. We're a little ahead in Europe. Scanner data is a little behind in North America. So the balance of that seems like net-net-net, that's a little favorable. Until we get through peak season on 70% of our business, I think I've ranged it appropriately. And regardless of whether it's low single digits or mid-single digits, you're going to see cash flow generation, EPS mid-single digit plus share buyback to the tune of nearly $1.3 billion. So we're really confident in the underlying performance and behavior of the business. Let's see how peak season gets on.

Stefan Diaz
Morgan Stanley, Research Division

Great. And maybe if I could sneak one more quick one in here. Can you just go through how April trends are benchmarking versus your expectations?

Daniel William Fisher
Chairman & CEO

Yes, April is largely in line, a little softer than March, but in line with our expectation. And as you know, Easter fell a week different last year than it did this year. And so that plays into it a bit. A couple of weeks before Memorial Day is when things really start to pick up. So it's really the back half of the second quarter where it's most meaningful.

Christine, that will be the last question. I think we're a couple of minutes over.

Operator

This ends the question-and-answer session. I would now like to turn the floor back over to management for closing comments.

Daniel William Fisher
Chairman & CEO

Yes. Thanks. Just a quick reminder, June 18, New York Stock Exchange is our Investor Day. Again, I'd like to thank Ann for her incredible service to the company and certainly echo all the very nice comments toward Brandon and Miranda. And thanks to all of our employees. We look forward to talking to you again at the end of the next quarter, if not before at Investor Day. Thank you.

Operator
Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a wonderful day.

Forward Looking Statement

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