

**Document includes important disclaimers at the conclusion of transcribed comments.*

Company Participants

Brandon Potthoff – Head of Investor Relations
Dan Fisher – Chairman & CEO
Howard Yu – EVP & CFO

Analysts

Ghansham Panjabi – Robert W. Baird
Jeff Zekauskas – JPMorgan
Arun Viswanathan – RBC
Anthony Pettinari – Citi
Stefan Diaz – Morgan Stanley
Mike Leithead – Barclays
Josh Spector – UBS
Edlain Rodriguez – Mizuho
John Dunigan – Jefferies
Mike Roxland – Truist
George Staphos – Bank of America

Operator

Greetings and welcome to the Ball Corporation Third Quarter 2024 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

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

Brandon Potthoff, Head of Investor Relations

Thank you, Christine. Good morning, everyone. This is Ball Corporation's conference call regarding the company's third 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. We assume no obligation to update any of the forward-looking statements made today. Some factors that could cause the results or outcomes to differ are described in the company's latest Form 10-K, our most recent earnings release and Form 8-K and in other company SEC filings as well as company news releases.

If you do not already have our 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 non-comparable 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-to-date net earnings

attributable to the corporation and comparable net earnings do include the 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 our CEO, Dan Fisher.

Dan Fisher, Chairman & CEO

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

Before I talk about the third quarter, I want to take a moment to recognize our team in Tampa, Florida, who have shown incredible resiliency while dealing with the impact of two devastating hurricanes. Our thoughts are with everyone impacted by these terrible storms. We are fortunate that all of our employees are safe and that our Tampa facility avoided major damage and was back up and running quickly. The Ball Foundation supported critical relief efforts by providing monetary donations to organizations with teams actively supporting impacted cities. And, in conjunction with customers, we donated over 250,000 cans and bottles of drinking water. Our thoughts remain with the communities impacted by these terrible storms and we will continue to support our employees, customers and communities through our global employee giving program.

I would also like to welcome our new colleagues who recently joined Ball following our October 29 acquisition of Alucan Entec, a European extruded aluminum aerosol and bottle technology leader. As the demand for sustainable aluminum packaging continues to grow among customers and consumers, this transaction is a capital-efficient way to add incremental capacity to expand our extruded aluminum aerosol business in Europe, while also allowing us to serve the growing extruded aluminum beverage bottle market and diversify our customer base across the continent.

Turning to business performance. We delivered strong third quarter results and year-to-date have returned approximately \$1.4 billion to shareholders via share repurchases and dividends as of today's call.

Reflecting further on year-to-date 2024 performance, aluminum packaging continues to outperform other substrates across the globe. In EMEA, third quarter volumes remained strong, driven by continued investment by our customers in can filling across the region. In South America, softer-than-anticipated volume performance was driven by our exposure to Argentina and supply/demand tightness in Brazil. In North America, persistent economic pressure on the end consumer and our exposure to U.S. domestic beer led to softer-than-expected volumes.

Our regional performance culminated in Ball's global beverage can shipments being essentially flat year-over-year in the third quarter and up 2% year-to-date. For a complete summary of regional shipments for the third quarter, please refer to today's earnings release. Consistent with our previous commentary and given our customer mix and year-to-date regional volume performance, we now anticipate full year global shipment growth in the low single digits range. Key drivers for our company's performance in 2024 continue to be the benefits of deleveraging, repurchasing shares, improving operational efficiencies and leveraging our well-capitalized plant assets to grow the use of innovative, sustainable aluminum packaging across channels, categories and venues.

Based on our current demand trends and the previously mentioned drivers, we are positioned to grow full year comparable diluted EPS mid-single digits plus of 2023 reported comparable diluted EPS of \$2.90 per share, generate strong adjusted free cash flow, strengthen our balance sheet and return a value in excess of \$1.6 billion to shareholders via share repurchases and dividends in 2024.

With that, I'll turn it over to Howard to discuss the quarter and key metrics.

Howard Yu, EVP & CFO

Thank you, Dan. Turning to our results. Third quarter 2024 comparable diluted earnings per share was \$0.91, versus \$0.83 in the third quarter of 2023. Third quarter comparable net earnings of \$278 million were up 6% year-over-year, primarily due to strong operational performance and price/mix, leading to improved year-over-year performance in North America, EMEA and South America. In addition, we had lower interest expense.

In North and Central America, segment comparable operating earnings increased 4% and were in line with our expectations despite a softer U.S. mass beer category and stretched end consumer. Benefits of effective cost management and plant efficiencies across our well-capitalized plant network more than offset for the impact of lower volumes. Our team has done a great job improving operational efficiencies, lowering costs and effectively counter measuring risk. And in future years, when end customer demand inflects more favorably, we are set up to more profitably serve our customers' growth.

In EMEA, overall segment volumes were strong and segment comparable operating earnings increased 24%, matching our expectations entering the quarter. Recent demand trends remain favorable and the business is on track for significant year-over-year comparable operating earnings growth in 2024 driven by improving operational efficiencies and volume growth.

In South America, segment comparable operating earnings increased 28%, while segment volumes declined due to continued weakness in Argentina and supply-demand tightness in Brazil late in the quarter. During the third quarter, consumer conditions in Argentina demonstrated some gradual signs of recovery and we continue to monitor the dynamic economic situation in Argentina and potential scenarios that can impact results. In Brazil, strong demand in the month of September outpaced our ability to service that demand. We remain bullish about Brazil and our ability to deliver year-over-year comparable operating earnings and volume improvement as we enter the summer selling season in South America.

Looking at the businesses within other, the aerosol business performed well and operating earnings were helped by insurance proceeds received during the quarter. The can plants in beverage packaging, other were in line with our expectations and we continue to see growth opportunities in India. Lastly, while our cups business slightly improved operating earnings year-over-year, the growth of this business has not been at the level we initially expected. And as a result, the company is currently evaluating various options for this business.

Moving on to additional key financial metrics and goals for 2024. These reflect very consistent figures to those provided throughout the year. We continue to anticipate year-end 2024 net debt to comparable EBITDA to be below 2.5x. While we are currently at 2.2x at the end of the third

quarter, net debt to comparable EBITDA may nudge slightly higher by year-end as the company continues payments of tax due on the gain from the sale of aerospace.

2024 CapEx is on track 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 remain on track to achieve our adjusted free cash flow target. Share repurchases are expected to be in excess of \$1.4 billion by year-end. Through today's call, we have repurchased approximately \$1.2 billion in shares year-to-date.

Our 2024 full year effective tax on comparable earnings is expected to be slightly above 21%, largely driven by lower year-over-year R&D tax credits associated with the sale of the company's aerospace business. Relative to the estimated tax payments due on the aerospace sale, we have paid a total of \$484 million as of the end of the third quarter and we now expect our total taxes on the transaction to be in the range of \$950 million. Full year 2024 interest expense is expected to be in the range of \$300 million. Excluding the non-comparable aerospace disposition compensation costs, full year 2024 reported adjusted corporate undistributed costs recorded in other non-reportable are expected to be in the range of \$100 million. And last 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 de-risking the corporation through debt retirement. 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.

Dan Fisher, Chairman & CEO

Thanks, Howard. The business is operating well and we have line of sight to growing our 2024 comparable diluted EPS mid-single digit plus. While the consumer backdrop remains volatile, we will remain disciplined and through the strength of our portfolio and the unwavering dedication of our employees, we are confident we will deliver on our commitments laid out at our Investor Day.

We are focused on executing our purpose and our promise was certainly on display during the third quarter. By the care and support we have provided our employees, customers and communities, by enabling the greater use of aluminum packaging with our bolt-on aluminum aerosol acquisition and by working together to deliver strong results, operating efficiencies and the consistent return of value to shareholders to ensure we win together over the near and long term. We will strive to deliver innovative aluminum packaging solutions that can lead to a world free from waste and continue down the path to deliver compounding shareholder returns in 2024 and beyond.

Shareholder value creation remains our focus. And going forward, we anticipate exceeding 10% per annum diluted comparable EPS growth, including in 2025. Consistent delivery of high-quality results and operational performance, coupled with significant share repurchases for the foreseeable future, in addition to dividends, will drive shareholder value creation.

We 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 Session

Operator

[Operator Instructions] Our first question comes from the line of George Staphos with Bank of America.

George Staphos, Bank of America

I guess the first question I had regards the operational excellence work that you've been doing. And what might you have seen year-to-date, what might we see either in absolute terms or sequentially into 4Q and then into 2025? And what I'm really trying to get at is, is there any sort of incremental catalysts that we might be able to see from the cost side given that things are pretty much status quo on the top line both in terms of volume and price/mix?

Dan Fisher, Chairman & CEO

Yes, George. I think you'll see for the next couple of years a continuance of sort of 2% to 3% of our cost structure, is what we're trying to drive to in terms of an overall goal of productivity. Now there's a chunk of the aluminum that's built in there that's tolled, which you really don't have a great deal of ownership on how to drive productivity there. But the teams are continuing to fill the funnel with projects and build on that. I think the simple way to think about it, George, is we are planning better. By planning better, that results in less conversions and less turnover of label changes. That creates less spoilage and less overtime. And so those fundamental ratios got out of whack during COVID. We've taken some of the higher-cost, less-efficient assets out. So you're seeing that first wave of productivity gains back half of last year and into this year.

And then the second half of this year and into next year, the manifestation of really this operational excellence, lean, standardization, continuous improvement. But they're going to come through those primary factors. And a little bit of volume will go a long way in also improving that and improving our leverage flow-through. I think you can see we're making more money on a per can basis through a lot of the actions we've taken. I think we can maintain that, offset inflation, offset merit increases and maybe even margin up a bit more moving forward.

In North America specific, my comments are really about getting the volume breeds more tailwind and leverage and it also enables us to step into these efficiency gains where it really shows up in those areas. And then further down the road, it enables you to grow, absent capital investments at the rate we've seen historically.

So that's how we're looking at it. And I think you'll start to see the incremental nature of the standardization and the process improvements now and moving forward. But the easier stuff, candidly, not easy in terms of dealing with your people and closures of plants but easier in terms of retiring assets that really weren't fit for purpose for the long term. We're kind of through that wave.

George Staphos, Bank of America

Understood. My next and I'll turn it over. You mentioned that you will be ready for the summer season in Brazil, yet you had some capacity constraints in September. So it sort of begs the obvious question, so how do you manage that? Is there capacity that is mothballed that you can turn back on that will allow you to hit the market in an appropriate way?

And then taking a step back, a recurring question topic for Ball is obviously maturity, to put it one way, of mass beer. What can you do with the portfolio as you look out to the next couple of years to either change up your mix or get a higher return if it's required in that mass beer portfolio? Is it, in fact, I realize EVA is something you don't emphasize quite as much. Is that portfolio EVA positive and doing what it needs to do? So South America and mass beer. Thanks and good luck in the quarter.

Dan Fisher, Chairman & CEO

Yes. Thank you, George. Start with South America. So this is just a function of, obviously, in the second and third quarter, in the summer hemisphere, you are curtailing. So the answer is, it got hotter much faster in Brazil. And so we have uncurtailed the lines and we should have got ahead a little bit of the safety stock build. So you're basically 2 to 3 weeks of not easing into peak season but hitting it full on. And that probably cost us somewhere in the neighborhood of 300 million to 400 million units. So those lines are turned on now. We do have capacity that can help serve that market, so it's really more of a Q3 phenomenon. And so that's been put into place.

Obviously, you're running incredibly tight right now to make sure that when demand inflects, the one thing that we're preserving obviously is earnings and we probably managed it a bit too tight in Brazil. But I think we're on our toes moving forward and our partner in that region is doing quite well. And will continue to do that during peak season. That's more or less their focus period, generally speaking.

And then on the mass beer, it's a great question, right? We've acquired in North America. First of all, historically, why are you there? EVA drives you to profit pools, big profit pools, versus others. Beer also, keep in mind, it's like, if you look at the category, it has declined for 20 years. However, the substrate shift in the cans has more than offset that. And the innovation in those categories have more than offset that. So what we need to be aware of and ensure is that we're with the right strategic partners in that category. Some folks are winning and we're with them, but we're also with folks that are not doing well.

And so we've already started some elements of rebalancing that portfolio. It does become a bit more challenging because the acquisitions over 30 years have assets right across the street from breweries. So there is some connective tissue there that it's not a quick pivot. At the same time, we've always done a nice job of creating new white spaces, innovating with the winners. We're seeing some of those gains. But given the weakness of the end consumer, you won't start to see that appreciate at a rate that's more visible, I think in the top line results until you see a little bit more relief to the end consumer by virtue of interest rate cuts and things of that nature.

We've been on this particular topic, George, for a handful of years now. I think we're moving in the right direction. We're with the folks that are going to win in this category. And the other blurry line

here is, don't just focus on historical beer companies. Focus on beverage companies, alcohol companies. And one of our biggest partners has the fastest-growing RTD, probably the fastest-growing non-alcohol beer and the two fastest-growing domestic light beers.

So there are elements of winning with the right brands, winning with portfolios, winning with folks that are innovative. All of those factor into that. It's not a quick pivot but it's one that we're encouraged about the direction of flight we're on. Thanks for the question.

Operator

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

Ghansham Panjabi, Robert W. Baird

Good morning. I just want to build on your last comments and go back to beverage North America. Can you just give us a bit more color on how the other categories performed, especially some of the premium categories for that segment in this region? And simplistically, what is the catalyst for volumes as we look out to 2025 for this segment? And just as a corollary to that, are you winning your share of new business as it comes up in North America? And if so, how do you measure that?

Dan Fisher, Chairman & CEO

Yes. So I think first things first, there's probably a macro comment here. I am quite encouraged actually for 2025 on a couple of fronts, right, that have been the drags for the end consumer. One, we finally saw the rate cuts and the manifestation of, I think, the Fed recognizing that folks need more discretionary spending power. I think versus 2019, we've got 8% less discretionary spending power. So I think that's manifesting in the food and beverage categories, there's been a lot more inflation. And so that's really weighing on the end consumer there. So the rate cut starts to help.

We've also seen an acceleration of savings here over the last 6 to 8 weeks. I think the uncertainty of the election, it would be nice just to get through that period. So the combination of those two things are certainly going to -- when we're talking to all of our customers, they're very encouraged about 2025 on that stage and on that front.

So you're going to see in the beer side, in the beer category, in the alcohol category, it is going to be folks that are paying attention to the low end on the price paradigm and on the innovation, high end. And some of our customers have better portfolios to do that than others. And they will lean into that and they will win. And as they get a tailwind of discretionary spending coming back, that category will get better. And so we're bullish on seeing growth next year in that category writ large. And we're -- I think we're with the right folks that are going to do well in that category.

And then secondarily, remind me your -- sorry, your second question there, Ghansham.

Ghansham Panjabi, R. W. Baird

Yes. I was just -- the premium subsegments that you're exposed to in North American bev, how did they perform? And then also you're winning -- are you winning your share of new business in the region?

Dan Fisher, Chairman & CEO

Yes. I think -- and I think you're hearing this pretty consistently. This year was -- you saw some contractual shift from us to a couple of our competitors. That was done -- 2022 is when that contract was -- that contract shuffle happened. Since then, it's been a really rational marketplace relative to that. And we should grow in line with the market moving forward. We've won business that has offset some of the contractual headwinds we were facing.

I think the issue is, underlying those wins, is then a backdrop of flattish energy this year and beer and then domestic beer on a decline. So the combination of those two have kind of muted the wins that we've had. But it's not hard to figure out whether you've won contractually or not. I think the share positioning all year has been a manifestation of mix, category mix, winners and losers within categories and where you sit within those portfolios and categories.

Ghansham Panjabi, R. W. Baird

Okay. Got it. And then for my second question, maybe for you and Howard as well, just in terms of what is the starting point for base volumes for 2025 that kind of gets you to that 10% plus earnings target that you've outlined or reaffirmed, I should say?

Dan Fisher, Chairman & CEO

Yes. I mean, we're -- as you know, our process, we are in the throes of it right now. But initial stages say we're in line with the -- our long-term algorithm of that 2% to 3% range for top line. It will be stronger in Europe and South America. We feel like 2025 will be better than the run rate that we're currently experiencing in North America.

So we'll have the volume we need and we'll have the backdrop of the efficiency gains we need and we're still holding the line on \$650 million -- or in line with D&A in terms of capital investment. So the share repurchasing and then the second half algorithm of the shares we purchased this year are all going to contribute to some really nice tailwinds into '25.

Ghansham Panjabi, R. W. Baird

Perfect. Thanks so much.

Operator

Our next question comes from the line of Jeff Zekauskas with JPMorgan.

Jeffrey Zekauskas, JPMorgan

I think your restructuring charges ex-insurance recovery was a little bit more than \$90 million. Is that all related to Santa Cruz in Brazil and the Kent, Washington plant? Or are there any other curtailments or closures that are involved in that charge?

Howard Yu, EVP & CFO

Yes, Jeff. I think some of that -- the vast majority of that, I believe, is related to some of these closures that we've had. We've also had a closure in Pouso that is also reflected in some of that number, too. The other component of this, I would say, is around IT and related to -- if you're thinking about it in the context of non-continuing operations related to the sale of aerospace. And so that's a component of that, that you would see in there as well.

Dan Fisher, Chairman & CEO

Jeff, we also took, through the op model restructure, we did take some actions midyear. So there was severance associated with a number of individuals here as we were rightsizing the business post aerospace acquisition.

Jeffrey Zekauskas, JPMorgan

And then secondly, when you reflect on your aluminum cups initiative, what do you think are the key reasons that held that initiative back?

Dan Fisher, Chairman & CEO

I think the biggest -- the two biggest things, biggest issue is inflation, weak end consumer, a price point that's unsustainable relative to what people are willing to pay for sustainability. I don't think anybody was anticipating kind of the world we're living in here right now in terms of the inflationary pressures and the reduced discretionary spend of the end consumer. So that was a challenged environment for sure. And then I think the downstream recycling infrastructure that's required is also far more complicated. And we know it pretty well but I think in some of the service industry, airports, travel, transportation, we found that it presented some pretty significant barriers to move quickly, at least on that side of the house.

Operator

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

Arun Viswanathan, RBC

Thanks for taking my questions. I guess first question was, I think there was an \$85 million closure charge in the quarter. Is that correct? What was that for in North America and South America?

Howard Yu, EVP & CFO

Yes. I think we just answered that question, same to what Jeff was asking, Arun, is the closures associated with the reductions in Kent, some of these other ones that we've done here in North America, as well as the ones that we've done in South America as well. And so I think you're asking fundamentally the same question. And restructure, of course.

Arun Viswanathan, RBC

Okay. Great. And then just on the -- it seems like a large amount though but nevertheless, just wondering about the volume progression, how you see that kind of evolving over the next few quarters. I know that you have some of the easier comps in the back half of this year. Those will start dropping off. So do you expect kind of -- how do you kind of expect to make that greater than 10% -- or 10% or greater earnings growth? I know you've laid out some low single-digit growth targets in the past at your Investor Day and so on. But how are you thinking about can growth from here?

Dan Fisher, Chairman & CEO

Yes. I think the easier comp would only be in Europe for the fourth quarter. Fourth quarter was incredibly strong in South America. There was a little bit -- so a little bit of Argentina too that we'll have to offset there. North America will be a reflection of end consumer health in the fourth quarter, how quickly the rate cuts, and I think the election stabilization there and the people are stopping to save money and spend money, those will all help that.

Enter '25, we're feeling confident about all three regions. I think we've answered this question as well but bears repeating. 2% to 3% growth, in line with our Analyst Day expectations, led by what we laid out at Analyst Day as well. Europe will continue to grow at a healthy rate. South America will grow at a healthy rate. North America will be kind of in that lower end of the 1% to 3% range based on what we see today. But there's hope coming and optimism coming in North America where they're finally getting after the rate cuts and that's what our end consumers need. So that, coupled with consistency of share buyback, returning value and then you'll get the compound effect of the lower weighted average shares going into 2025. So 2025 will -- should shape up to be a nice year for us.

Howard Yu, EVP & CFO

Yes. I think, Arun, maybe just to piggyback on that, what we did outline during Investor Day is that we're on this journey to reduce costs on a gross basis of \$500 million over the next several years. And so -- and you've heard us talking about the traction that we're getting here in 2024. And I would expect that we would continue on this journey as we're just starting it really. And so 2025, '26 and '27, all of those. And so as Dan indicated, we have a very high level of confidence in being able to deliver the 10-plus percent EPS next year.

Arun Viswanathan, RBC

And just real quickly on the footprint. I know that you guys have obviously closed some plants, as you noted. Is that kind of come full circle? We've been hearing that utilization rates for your system may be in the low 90s. So would that require more closures, or do you feel pretty good about where you are with the footprint?

Dan Fisher, Chairman & CEO

Yes. We feel good about the footprint at this point. Thank you.

Operator

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

Anthony Pettinari, Citi

Good morning. Just maybe piggybacking on that last question. Given the strength in EMEA, can you talk about what your operating rate in Europe is? And then just in terms of the ability to meet, I think, 3% to 5% growth long term that you outlined at the Analyst Day, how long can you go before maybe some debottlenecking projects or maybe even possible greenfield? Can you just kind of talk about the system and your ability to meet demand there?

Dan Fisher, Chairman & CEO

Yes. In Europe, Anthony, we don't see a need for an additional greenfield in Europe, I think Mainland Europe for the next 2 to 3 years. That's sort of our planning period that we're looking at. We did build, as you know, two new facilities that have ability or run rate to add lines. And so we'll maximize that. We'll also maximize, to your point, where we can speed up lines and add process equipment and debottleneck and all of the things that you're familiar with.

The one caveat will be that EMEA region, there are areas that are growing even at a faster rate. And -- but they're a little bit more volatile markets, so you have a bit more patience there, places like Egypt, places like Turkey, India is in that mix. So I would caveat or pull those regions out of my initial comments. But all of what we're talking about here is in the envelope of our spending capital at D&A. We can do all of what we need to, to help grow specifically Europe and South America at those outsized growth rates. I think we spent the capital we needed to in North America. So we're -- the team is laser-focused on ensuring that we're returning value to shareholders and enabling the investments in the areas that are going to give us the greatest payback.

Howard Yu, EVP & CFO

Maybe one more thing to add there, Anthony, I would say, on the substrate shift, Europe is still relatively early in that journey. And so we're seeing a good lift and we will continue to see that. I think the substrate shift is something less than 32% as we speak today. And so there's plenty of runway there as well.

Anthony Pettinari, Citi

Okay. That's very helpful. And then just a quick question on kind of the consumer weakness that you've seen in North America. You've talked about kind of standard sizes versus specialty sizes versus super specialty, I think at the Analyst Day, cups were kind of included in that super specialty category. And obviously, it's been a bit weaker. I'm just wondering, when you look at kind of the broader portfolio, are you seeing kind of a mix down in North America between specialty cans and 12-ounce where you're more likely to sell a 6-pack of a 12-ounce standard can and some of those higher ASP products in specialty sizes are not growing as fast or maybe you're kind of losing some mix there? And is that impacting the overall profitability of the business, or is that cutting it maybe a little bit too finely?

Dan Fisher, Chairman & CEO

I think, Anthony, it's cutting it a bit too finely. But you are on to something here and I'll just draw this out a bit. So you look at energy specifically, right and you look at the end consumer for energy categories and where they consume those products, they shop at a C-store channel. And many of these individuals are in construction or they're in the service industry. And overwhelmingly, the majority of these consumers are Hispanic. The Hispanic unemployment rate is nearly 6%. And so when we talk to our energy customers, they're telling us that the interest rates and that particular category in that channel have been impacted.

Those are overwhelmingly specialty cans in that category but they're the less special variety. So it's 16 ounce, right? And so we -- that's what's happening within the energy category right now. So that starts to relieve itself, interest rate cuts and a couple of other things. So that's why I'm more bullish about moving into 2025 with some tailwinds in and around that. But you do have to slice it down to a pretty discrete level to kind of parcel out can size, channel, customer, regional aspects to it. Specialty is still special and it's still tight. It's just like the general malaise, I think, of the end consumer is what we're experiencing right now across all categories and all can sizes.

Anthony Pettinari, Citi

Okay. That is very helpful color.

Operator

Our next question comes from the line of Stefan Diaz with Morgan Stanley.

Stefan Diaz, Morgan Stanley

Hello and thanks for taking my questions. Maybe to start and piggybacking off George's question around South America. Can you tell us what the volume number was in Brazil and maybe what you think the market grew in the quarter? I understand it's a seasonably slow period there. And maybe additionally, if you could speak to the profitability upside versus Street expectations, despite the volume headwinds you faced in the quarter. Is that more operational excellence? Or was there potentially some more end shipments in the quarter? If you could just dig into that a little bit, that would be helpful.

Dan Fisher, Chairman & CEO

Yes. Thanks. Nearly double-digit [market] growth in South America and Brazil, specifically, sorry. And we were flat to slightly down and I think we left about 3% to 4% of growth on the table by not matching our production with demand. Our primary strategic partner did not win in the quarter. But we expect them to do well in the fourth quarter and the first quarter, which is, of course, their peak season, which you referenced. And then I would say it wasn't actually end mix. Typically, as you know, we make those ends in a very favorable tax jurisdiction. So that mix can increase or decrement profitability as a result of that mix but we're shipping less ends actually. This is all improved performance and really appreciate the team with regards to that down in South America.

So hopefully, continued margin benefits through our focus on operations with a little bit of a tailwind there in South America bodes well for us. I think we'll certainly make more money in Q4. And then it's -- for us, it's the culmination really of the countries outside of Brazil that will dictate whether we're growing or we're not. We'll certainly grow for the year and grow in line with expectations that we've laid out. But whether we grow mid-single digits or closer to low single digits, I think it will be all indicative of what happens in Paraguay, Uruguay, Peru, Chile and Argentina and that recovery there.

Stefan Diaz, Morgan Stanley

Great. And then I'm glad to hear that everybody is okay in the Tampa region following the storm there. That said, with the two storms in the Southeast, do you believe that they had any impact on North American volume in the quarter?

Dan Fisher, Chairman & CEO

No, I don't. I think we lost almost two full days, three days of production. But that, like you said, in a shoulder period. This would have contributed to some missed volume and probably a bridge items worth of -- had it been June, July, August time period. But we were able to -- we were able to source those customers largely from our other regional assets there. And thanks for the well wishes.

Operator

Our next question comes from the line of Mike Leithead with Barclays.

Michael Leithead, Barclays

Good morning team. First question on South America. Can you help us better understand the impact of Argentina on segment volumes? If I heard you correctly, Brazil was flattish. So is Argentina down something like double the segment average? And then relatedly, how are you assessing your presence or footprint in Argentina just given all the uncertainty and volatility there?

Dan Fisher, Chairman & CEO

Yes. For the full year, what we're anticipating right now is -- and this would include the fourth quarter, somewhere between 500 million to 600 million units of decrement year-over-year due to Argentina volumes when you compare it to 2023. And the third quarter was approximately 270 million that Argentina was down, in the third quarter versus the prior year. So as it relates to Argentina, I'll give you, Argentina is really good when it's good and it's not so good when it's not. Having said that, we've been there the last -- 30 years ago, we stayed in that market and it's grown significantly and the can does really well there.

And our 2 most important strategic partners in South America are there. They're going to continue to be there and they want us to be there to support them. Having said all that, we're eyes wide open. I think Howard and I went down in April, met with the central bank, met with the Vice President, met with the Secretary of Commerce. Everything they laid out at that time, they're executing against. So we're seeing currency controls easing. We're seeing inflation at sort of the lowest levels. Howard, I'd ask you to weigh in.

Howard Yu, EVP & CFO

Yes, I think that's right. I think, if anything, it's incrementally a little bit better. And so that gives us, I think, some optimism overall as it relates to their policies taking hold and even being able to repatriate funds and things of that nature. I think that the banking system is improving a little bit there as well in the increment. And so I think that we expect 2025 to continue on that progress path. And as Dan said, this is -- Argentina has historically been a very profitable area.

That all said, we do recognize that the volumes down in Argentina in the third quarter were in excess of 30%. That being said, we don't see as much of a profit impact this year as we did last year when these policies and the initial shock associated with that, those churns had happened. So overall, I think we're going to be watchful and mindful and doing a lot of scenario planning, which is what we do. But we feel as though the long-term prospects still remain quite favorable for us in Argentina.

Michael Leithead, Barclays

Great. That's sounds super helpful. And then secondly, can you talk a bit more about what the Alucan acquisition brings to your existing extruded aluminum business? And are there other aerosol or adjacent opportunities in the M&A pipeline still out there for you guys?

Dan Fisher, Chairman & CEO

Yes. Well, I think first things first, it's -- one of the facilities was actually part of our original investment in this space. And so we've actually run the plant in Spain, some of our employees have. So we know it well and we know the customer base very, very well. They also built a new facility in Belgium. So we're stepping into a footprint that will enable us to grow incrementally without having to build a greenfield facility. And that is a business that has been growing mid-single digits, high single digits. Very encouraging.

And so we were faced with a number of capital allocation decisions and this was just uniquely presented. The individual who was the owner is retiring. And so you know this, anything in M&A, it all looks good on paper but you have to have a buyer and a seller and this was -- we were the right owner for it. And yes, we're excited to welcome these folks on board. So that came nicely and there are other opportunities within the space. It's pretty fragmented. And so we -- where there's an opportunity and there's a buyer and seller, I mean this is -- these are really nice bolt-ons for us and fits well within our capital allocation structure and we continue to return value to our shareholders. So all the stars lined on this one and so hopefully, there are more of those out there.

Operator

Our next question comes from the line of Josh Spector with UBS.

Joshua Spector, UBS

I apologize if I missed this but I wanted to ask specifically on the 4Q EPS expectations. So last call, you talked about fourth quarter being up maybe about a 10% kind of normal growth. You reiterated your mid-single-digit growth for the year. So that's, at the low end, that could mean that EPS is flat or maybe even slightly down. So can you just clarify what your expectation is for the quarter?

Howard Yu, EVP & CFO

Yes, Josh, what I would say is that we did have a little bit of improvement in Q3. We had our insurance proceeds. I think we outlined that in our prepared comments as well that came in associated with the Verona fire. And so that was probably a couple pennies that was pulled into Q3 based on timing. So that comes out of Q4. That said, I think that the expectation is that Q4 will continue to increment upwards as it relates to EPS. And as we said, that would probably be a mid-single digit, mid-single digit plus range as well to get us for the full year in that range.

Joshua Spector, UBS

Okay. That's helpful. And I wanted to go back to one of the earlier questions, just on the cost savings and efficiency. Just you talked about scenario planning. I guess if we're scenario planning for next year and saying maybe there's a scenario where volumes are more flattish versus up low single, what kind of cost efficiencies or earnings could you see in that scenario from what's in your control and what you're doing today?

Howard Yu, EVP & CFO

What I would say, Josh, is that we're focused in on controlling what we can and making sure that this operational efficiency standardization journey that we're on continues to move forward and we get that -- we continue to gain traction. That all said, as Dan outlined, we're in the throes of our annual process as we look at 2025. And so we'll have some more prepared comments for you with our Q4 earnings.

Operator

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

Edlain Rodriguez, Mizuho

I mean just a quick observation on Argentina. Are people really drinking less because of this tough economic conditions? Because you would think they would want to forget their problems. And so I guess, like not everyone is like my friends down there. So a little surprising there to see volume down so much because of the economic conditions.

So if you go into Europe then, again, we've been seeing like a nice recovery there. Like would you attribute that to improving end consumer demand? Or is that just like restocking, easier comps? Like what's really driving that strength overall there?

Dan Fisher, Chairman & CEO

Yes. Good. So I think if you get outside of Buenos Aires, yes, dramatically less spending power in Argentina, people are drinking a lot less. Obviously -- we were just down there last week, by the way. So significantly different consumption profile than a year ago. And then secondarily, in EMEA, there has been two things that have happened this year that have been better than we anticipated coming into the year. One, the pricing of our customers have been a bit more aggressive. Now at the same point in Europe, there's a bit more control by the retailers on what you can pass through in terms of price. So there's been conscious effort by a number of our customers to go get share.

Number two, there has been relief on energy. So relatively speaking, folks in Europe don't have as much discretionary spend power as they did in '19, before the energy spikes. However, they've got relatively more in their pocket, right, than they did certainly at this time a year ago. So those two things contributed. The destocking, restocking event that you're characterizing, that will be a Q4 impact, not as much of a Q3. So what you've seen through the first nine months are real. Maybe a bit of improvement in Q1. That was ahead of true demand because I think they lowered the inventory levels too much in Q4 of last year. So you would have seen that come through in Q1 more than you would have seen it at this point. And then it should be a relatively easier comp in Q4 because of this phenomenon that you characterized.

Operator

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

John Dunigan, Jefferies

Good morning, Dan, Howard, this is John Dunigan, on for Phil. Appreciate all the detail, guys. I just wanted to first touch on the cups business. I mean you said you're looking at strategic alternatives. I mean, is there anything else that you're really looking to explore outside a potential sale? Is there more investment or acquisitions to bolster up the business or anything along those lines?

Howard Yu, EVP & CFO

Yeah, hey John, well, let me say first that no formal or firm decision has been made. But as we think about that business, it's just we're losing probably in the magnitude of \$40 million this year and that can't continue. And so we'll look at various different options, whether that means rightsizing that business going forward. Again, as you outlined, maybe some sort of joint venture or third-party interaction there that can maybe focus more on that business. And then obviously, thinking through whether or not we wind that down. So all of those things are in play. But certainly something that we need to address here in the short term.

Dan Fisher, Chairman & CEO

I would not think in terms of additional capital, either via acquisition or putting it into the business.

John Dunigan, Jefferies

Got it. I appreciate that. And then on South America, I know we've talked about it a lot. I mean, you guys said you started up just maybe a couple of weeks, few weeks behind a normal schedule and hotter weather came in. Is that something that you guys can catch up on? I mean I know you're running full out now and it seems like the summer is good but 3% to 4% maybe lost in 3Q, is that able to be recaptured in the summer selling season in 4Q, 1Q time?

And then as you're thinking about the region, going into maybe next year and beyond, already running full out, is that a region that you see needing more capacity as your primary customer grows? Is it something where you can maybe pull some of the assets that you had in Argentina to help supply the Brazilian market? Maybe just what are your thoughts on this.

Dan Fisher, Chairman & CEO

No, I think you're thinking about it the right way. Simply put, in all of our businesses during the winter period or this low period, you're always curtailing, you're always doing maintenance work. I think you were still -- let's be honest, we were still kind of chasing the bottom of volumes in South America. It feels like we're inflecting positively now. And so it's a reframing of stocking levels, when you do your maintenance, pulling it up further earlier. So you can manage this, I think, more effectively. There's more capacity to run as opposed to curtail.

We were laser-focused on driving the bottom line. And when you see a surge that's weather related to this magnitude, now, you've missed it in the third quarter, we're running, to your point, we're running our assets in Chile and Argentina and other places where we might have a bit more excess capacity to catch up. So I think we'll be better prepared for it next year in a more stable top line environment, which is really encouraging. But you kind of missed that shoulder season onetime benefit there.

John Dunigan, Jefferies

Appreciate the details there.

Operator

Our next question comes from the line of Mike Roxland with Truist.

Michael Roxland, Truist

Thanks Dan, Howard, Brandon. Just two quick ones for me. Dan, can you go through the cadence of shipments in North America during the quarter? And where do October shipments stand in North America at present?

Dan Fisher, Chairman & CEO

Yes. It was -- I would say August was okay and then things started to really slow September time frame. And as we're heading into -- right now, I think it's a continuance of that. You can see that reflected in the scanner data. But two things will have to happen. It's usually a 60-, 90-day impact for those interest rate cuts to flow through, #1 and #2, I think you've seen this as well. It's -- people are saving at a pretty high rate right now. And I think we got to get through next week and hopefully, there's some stabilization there. And those two things should help to inflect. Like I said, our customers are pretty darn encouraged about 2025, a little bit more stabilization, inflation stabilizing, interest rate cuts. But I think we're still in a level of uncertainty here as I sit here and talk to you today about Q4.

Michael Roxland, Truist

Got it. And then just one quick follow-up on the strategic customer realignment mentioned earlier. Obviously, a lot of things to consider, particularly given where your plants are situated. But also to me and correct me if I'm wrong, it sounds like you're still focused on beer. I mean is there any way

to really diversify more into other end-markets? Or is the strategy really just trying to realign with brands that are winning in beer?

Dan Fisher, Chairman & CEO

Well, we're with the brands that are winning in beer, overwhelmingly, right? It's -- there's been -- I mean, we're with all the brewers and the company that's winning the most, we've got a dramatically significant share of that position. And then I think within -- we don't look at it, I would say, Michael, as beer anymore. We look at it as alcohol. So the folks that have the best portfolio, best alcohol portfolios, we're with them. Can you reposition? Of course. I would just reiterate this. Historically, the margin in the beer space have been far better than any of the other. So you might get the growth but the diversification historically, would have come at a cost.

And so the other thing about beer, just to remind everyone, it's like we weren't declining because we were taking substrate. So if you still believe that a substrate shift is there and it's going to happen, then it's not a bad place to be. But making those calculations and prognosticating, it's different now because beer now has a 70% share of aluminum -- or aluminum has a 70% share of beer. But there's still opportunities. There was another glass closure just announced this week.

So I think you've got to be really thoughtful about the mix. Generally speaking, we are very thoughtful about the mix and who's winning and we generally have those, the more innovative folks, the acquirers. I think the demise of beer is a little bit overdone given the backdrop of that substrate shift. So beer in general, yes, has been declining for 20 years but it hasn't within our portfolio. And I think the end consumer softness has a lot more to do with this than the beer decline. So that's what I would posit.

Michael Roxland, Truist

Thank you and good luck in 4Q.

Dan Fisher, Chairman & CEO

And Christine, we're done here and very much appreciate everybody's questions and certainly hope that everyone has a good holiday and our folks remain safe. And we'll talk to you again after the year. Thank you.

Forward Looking Statements

This transcript contains "forward-looking" statements concerning future events and financial performance. Words such as "expects," "anticipates," "estimates," "believes," and similar expressions typically identify forward looking statements, which are generally any statements other than statements of historical fact. Such statements are based on current expectations or views of the future and are subject to risks and uncertainties, which could cause actual results or events to differ materially from those expressed or implied. You should therefore not place undue reliance upon any forward-looking statements, and they should be read in conjunction with, and qualified in their entirety by, the cautionary statements referenced below. Ball undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information,

future events or otherwise. Key factors, risks and uncertainties that could cause actual outcomes and results to be different are summarized in filings with the Securities and Exchange Commission, including Exhibit 99 in Ball's Form 10-K, which are available on Ball's website and at www.sec.gov. Additional factors that might affect: a) Ball's packaging segments include product capacity, supply, and demand constraints and fluctuations and changes in consumption patterns; availability/cost of raw materials, equipment, and logistics; competitive packaging, pricing and substitution; changes in climate and weather and related events such as drought, wildfires, storms, hurricanes, tornadoes and floods; footprint adjustments and other manufacturing changes, including the opening and closing of facilities and lines; failure to achieve synergies, productivity improvements or cost reductions; unfavorable mandatory deposit or packaging laws; customer and supplier consolidation; power and supply chain interruptions; changes in major customer or supplier contracts or loss of a major customer or supplier; inability to pass through increased costs; war, political instability and sanctions, including relating to the situation in Russia and Ukraine and its impact on Ball's supply chain and its ability to operate in Europe, the Middle East and Africa regions generally; changes in foreign exchange or tax rates; and tariffs, trade actions, or other governmental actions, including business restrictions and orders affecting goods produced by Ball or in its supply chain, including imported raw materials; and b) Ball as a whole include those listed above plus: the extent to which sustainability-related opportunities arise and can be capitalized upon; changes in senior management, succession, and the ability to attract and retain skilled labor; regulatory actions or issues including those related to tax, environmental, social and governance reporting, competition, environmental, health and workplace safety, including U.S. Federal Drug Administration and other actions or public concerns affecting products filled in Ball's containers, or chemicals or substances used in raw materials or in the manufacturing process; technological developments and innovations; the ability to manage cyber threats; litigation; strikes; disease; pandemic; labor cost changes; inflation; rates of return on assets of Ball's defined benefit retirement plans; pension changes; uncertainties surrounding geopolitical events and governmental policies; reduced cash flow; interest rates affecting Ball's debt; successful or unsuccessful joint ventures, acquisitions and divestitures, and their effects on Ball's operating results and business generally.