



Berry Global Group Inc (BERY)

Fall 2021

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I. Investment Overview

Buy BERY at 1.5% Allocation (11% Implied Upside)

1

Industry Leading Portfolio of Designs

- Foodservice brand owners are **increasing their forecasted volumes** with Berry for access to the Company's **30-plus active patents** across clear cups & lids.
- **Customized** plastic cups and lids are an increasing market trend, **pulling volume from alternative substrates** since 2017.

2

Investment in Sustainability

- \$115M investment to expand polypropylene(reusable plastic) thermoforming capabilities to manufacture **clear cups** for quick-service restaurants, coffee shops, convenience stores, and other foodservice markets.
- This comes at a time of **increased demand** for a cup that showcases premium brand image.

3

Diverse Customer Base

- As of 2021, **no single customer** accounted for more than 5% of net sales, and the top ten customers accounted for less than 15% of sales.
- Berry is well- positioned to realize growth in **fulfilling small orders** for the faster-growing small and mid-sized customer bases.

4

Positive Forecast on Raw Material Costs

- The price of **resin**, usually stable, was subject to heavy fluctuations during the pandemic.
- Forecasters suggested that the price should **re-stabilise** during Fall 2021.

5

Low Valuation

- Low P/E, P/S, EV/EBITDA, and P/FCF relative to comp group.
- Strong future **revenue growth** demonstrated by high ROE and CAGR relative to comp group.
- DCF indicates a **high price target**.

Business Description

- Berry Global Group Inc. produces plastic package products.
- One of the largest producer of plastic packaging materials with over 290 global locations.
- Berry Global Group continues global expansion efforts with the acquisition of RPC Group, one of Europe's largest supplier of plastic packaging.

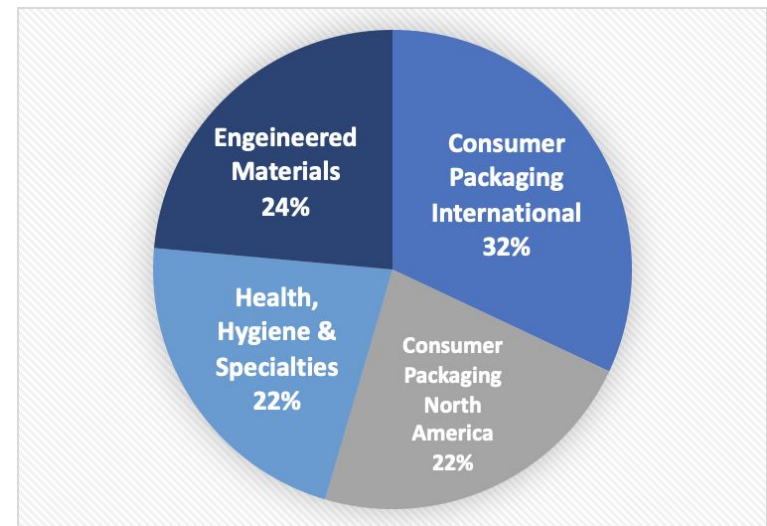
Key Statistics

GICS Sub-Industry	Commercial Services and Supplies
Market Cap	\$8.26B
Revenue	\$11.71B
Current Price	\$61.00
52-Week Range	\$45.68 / \$70.90
Beta	1.33
Dividend Yield	N/A
Credit Rating	BB-

Geographic Breakdown



Segment Breakdown





Thomas E. Salmon – CEO

- Thomas Salmon has just under 4 years experience as CEO of Berry Global Group Inc.
- Has more than 18 years experience with Berry and has held a senior position at Berry since 2003.
- Owns more than \$1.8M+ in Berry Global Group Inc. stock



Mark Miles - CFO

- Mark Miles has served as CFO of Berry Global Group Inc. since January of 2014
- He has worked for Berry since 1997, and was Treasurer of Berry for 9 years prior to being CFO.
- Owns more than \$1.5M+ of Berry Global Group Inc. stock



Bill Norman- President Consumer Packaging - North America Division

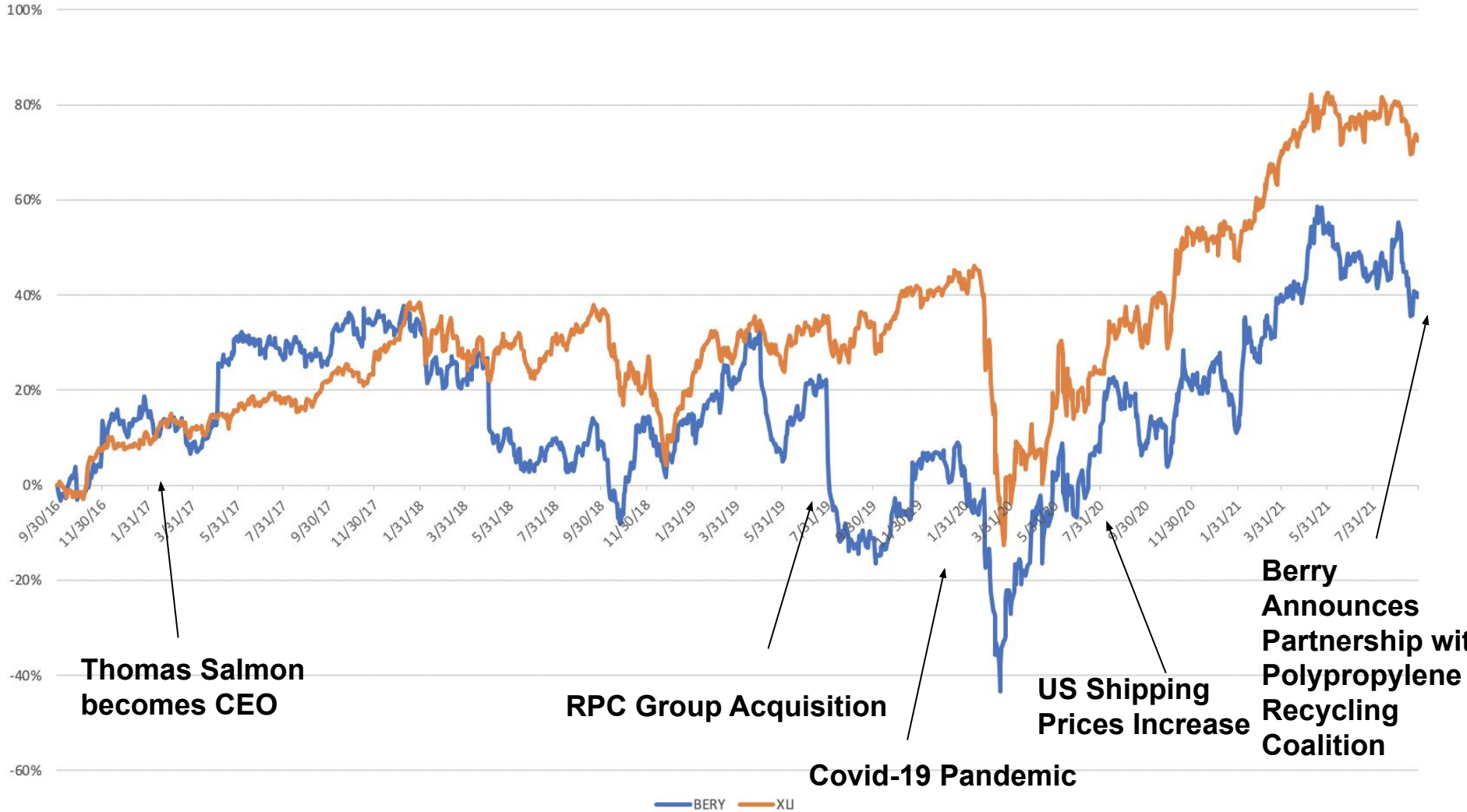
- Bill Norman was fairly recently appointed President of Consumer Packing in July of 2019
- He has served Berry since 1993 and has held managerial positions in accounting, finance, and commercial/strategic planning.
- Owns more than \$1.1M+ in Berry Global Group Inc. stock

Extremely Experienced Executive Team, all of whom were hired internally.

(cumulative \$180M+ stock owned by insiders)

5-Year Stock Performance

BERY Vs XLI



Expand its North American Capacity for Clear, Sustainable Foodservice Packaging

- Berry expands food service packaging manufacturing operations in North America as a part of its **long-term strategic growth commitments**

Berry Global Announces Major Healthcare Investment

- Recently announced plans to establish a second manufacturing facility and global healthcare center in Bangalore India--the site should be validated and ready for production by summer of 2023

Berry Global Invests in Second Recycling Facility for FDS-Grade Materials for Packaging

- Next month, BERY will be breaking ground on a new recycling facility in the UK producing certified FDA post-consumer recycled polypropylene for use in packaging

II. Business Segments

Consumer Packaging International

- The Consumer Packaging International segment primarily consists of bottles, canister, containers, pharmaceutical devices and packaging, recycling, and technical components
- The segment accounts for above 32% of total revenue, \$3.8B

Consumer Packaging North America

- Consumer Packaging North America segment manufacture containers and pails, lightweight polypropylene cups, lids, vials, and laminated tubes.
- The segment accounts for about 22% of total revenue, 2.6B.

Engineering Materials

- Engineered Materials manufactures stretch film products, tapes and adhesives, polyethylene-based film products, can liners, printed films, and laminated products.
- The segment accounts for about 24% of total revenue.

Health, Hygiene, Specialties

- Health Hygiene & Specialities consists of nonwoven specialty materials and films used in hygiene, infection prevention, personal care, industrial, construction and filtration applications.
- The segment accounts for about 22% of total revenue, 2.6B.

Market Outlook

- Berry's **diversified end market exposure** and **debt reduction** that is improving their Balance sheet.
- Recovery of the Consumer packaging businesses is expected to be quick.
- Despite a slow recovery of foodservice industries, **operating margins are expected to improve** as beverage packaging unit volume recovers. Demand for specialty cans and bottles is likely to strengthen.
- **20% increase** in sales for Health, Hygiene and Specialties due to the impact from COVID.

III. Valuation

Relative Valuation



Ticker	Market Cap (MM)	P/E	EV/EBITDA	P/FCF	P/S	ROE	Debt/EBITDA	Operating Margin	1 Y Forward P/E	5 Y Rev CAGR
BERY	\$8,294	11.2x	7.8x	10.5x	0.6x	29.0%	4.7x	9.3%	9.7x	17.4%
SON	\$5,915	172.8x	7.8x	19.8x	1.1x	-10.5%	2.7x	9.8%	16.0x	2.8%
MYE	\$727	22.5x	11.0x	18.0x	1.2x	15.7%	1.3x	8.5%	16.9x	5.4%
SEE	\$8,274	17.7x	11.2x	16.1x	1.6x	N/A	3.7x	14.8%	14.1x	-5.1%
ATR	\$8,019	30.8x	13.9x	30.5x	2.6x	14.1%	1.9x	10.4%	28.4x	5.5%
GEF	\$3,185	17.0x	7.6x	9.8x	0.6x	25.5%	3.1x	11.6%	10.7x	12.0%
IP	\$20,816	14.7x	9.4x	8.8x	1.0x	14.8%	2.7x	8.6%	10.1x	1.1%
Median	\$8,019	17.7x	9.4x	16.1x	1.1x	15.2%	2.7x	9.8%	14.1x	5.4%

Positives

- Lowest *P/E* and *P/S* ratios in comp group
 - **Low price** relative to earnings & sales → potential value buy
- Highest *ROE* and *CAGR* in comp group
 - BERY is highly **efficient in generating profits** from equity
 - Strong position in the packaging products market reflected by **sustained revenue growth**
- Lower-than-median *EV/EBITDA* and *P/FCF*
 - BERY is **poised to generate future revenues** (using cash to reinvest, enter new markets, reduce debt, etc.)

Negatives

- Higher-than-median *Debt/EBITDA*
 - Enables BERY to **obtain a higher ROE**
 - Maintaining **safe interest coverage ratio**
- Lower-than-median *Operating Margin*
 - Implies **high COGS**
 - BERY has room to grow with respect to **reducing variable expenses** → should be feasible by strong management team

Sensitivity Analysis (11% Implied Upside)

	Exit Multiple				
	7.1x	7.6x	8.1x	8.6x	9.1x
6.44%	\$ 59.57	\$ 66.74	\$ 73.92	\$ 81.09	\$ 88.27
6.94%	\$ 56.69	\$ 63.70	\$ 70.71	\$ 77.72	\$ 84.72
WACC 7.44%	\$ 53.89	\$ 60.74	\$ 67.58	\$ 74.43	\$ 81.28
7.94%	\$ 51.16	\$ 57.85	\$ 64.54	\$ 71.23	\$ 77.92
8.44%	\$ 48.51	\$ 55.04	\$ 61.58	\$ 68.11	\$ 74.65

Model Assumptions

- **Conservatively modeled.**
- Assumes 2-4% revenue growth over the next 5 years.
Revenues have grown at an average of 20.4% over the past 3 years.
- All margins are assumed to stay flat.

WACC Assumptions

Tax Rate	21%
Exit Multiple (EBITDA)	8.1x

WACC Calculation

Risk Free Rate	1.54%
Beta	1.34
Market Risk Premium	8.60%
Cost of Equity	13.1%
Pre-Tax Cost of Debt	3.96%
Market Cap	\$ 8,301
BV of Debt	\$ 10,816
Equity-to-Value	43.4%
Debt-to-Value	56.6%
WACC	7.44%

IV. Conclusion

	Risk	Mitigation
1	Reliance on Unpatented Systems <ul style="list-style-type: none"> Because BERY's success stems from its unique applications and designs, if this proprietary information was leaked, it could result in significant revenue losses 	<ul style="list-style-type: none"> Stronger confidentiality agreements between BERY and its employees
2	Plastic Resin Price Volatility <ul style="list-style-type: none"> BERY's packaging profitability depends highly upon the price of resin (and other raw materials) Plastic resins may also face shortages Can negatively impact COGS 	<ul style="list-style-type: none"> Purchasing resins (and other raw materials) from a variety of global suppliers Bulk orders and hedging contracts
3	Excess Debt <ul style="list-style-type: none"> BERY's higher-than-median debt means they have to make large interest payments 	<ul style="list-style-type: none"> BERY's low P/FCF ratio in relation to their competitors will enable them to gradually reduce their debt while still having enough cash to continue growing the business Safe interest coverage ratio
4	Acquisitions & Divestitures <ul style="list-style-type: none"> One significant risk is acquiring companies that don't synergize with BERY 	<ul style="list-style-type: none"> Proven track record of over 40 acquisitions implies that BERY's criteria for selecting potential acquisitions is comprehensive Historically average ~5% cost synergies per acquisition
5	Governmental Regulations <ul style="list-style-type: none"> Climate change → governmental regulations on how businesses interact with the environment may increase Complying with these regulations may require significant capital expenditures 	<ul style="list-style-type: none"> BERY emphasizes sustainability Proactively reducing greenhouse gas emissions, landfill, and plastic waste As a result, BERY will already have the infrastructure in place for new regulations

Low Valuation

- Both DCF and RV suggest so.
- Lower-than-median P/E, P/S, EV/EBITDA, and P/FCF than comp group
- Strong future growth indicated by both higher-than-median CAGR and ROE

Designs & Sustainability

- BERY's 30+ packaging patents along with significant industry secrets and "know-how" puts them in high demand with their consumer base
- Investment in sustainability reduces Berry's vulnerability to governmental regulations and create a lasting business model.

Strong Customer Base

- BERY boasts a highly diverse set of customers, none accounting for more than 5% of net sales.
- This strong foundation coupled with a positive forecast on resin prices can propel them to higher revenues in the coming years.

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V. Appendix

Discounted Cash Flow



	Historical			Expected	Projected					Steps		
	2018	2019	2020	2021	2022	2023	2024	2025	2026	1-5Y	6-10Y	
Drivers:												
Revenue Growth	N/A	12.82%	31.89%	16.60%	2.15%	2.65%	3.15%	3.65%	4.15%	0.50%	0.00%	
Margin Expansion:												
Gross Margin	18.19%	18.24%	20.57%	22.25%	22.25%	22.25%	22.25%	22.25%	22.25%	0.00%	0.00%	
EBITDA Margin	16.51%	17.88%	18.31%	16.53%	16.53%	16.53%	16.53%	16.53%	16.53%	0.00%	0.00%	
Depreciation (% of Sales)	4.9%	4.7%	4.7%	4.1%	4.05%	4.05%	4.05%	4.05%	4.05%	0.00%	0.00%	
Net Working Capital:												
A/R	\$ 941.0	\$ 1,526.0	\$ 1,469.0	\$ 1,851.0	\$ 1,890.8	\$ 1,940.9	\$ 2,002.1	\$ 2,075.2	\$ 2,161.3	365	365	
DSO	43.65	62.74	45.79	49.49	49.49	49.49	49.49	49.49	49.49	0.00	0.00	
Inventory	\$ 887.0	\$ 1,324.0	\$ 1,268.0	\$ 1,735.0	\$ 1,772.3	\$ 1,819.3	\$ 1,876.6	\$ 1,945.1	\$ 2,025.8	365	365	
DIO	50.3	66.6	49.8	59.7	59.7	59.7	59.7	59.7	59.7	0.00	0.00	
A/P	\$ 783.0	\$ 1,159.0	\$ 1,115.0	\$ 1,556.0	\$ 1,589.5	\$ 1,631.6	\$ 1,683.0	\$ 1,744.4	\$ 1,816.8	365	365	
DPO	44.4	58.3	43.8	53.5	53.5	53.5	53.5	53.5	53.5	0.00	0.00	
NWC	\$ 1,045.0	\$ 1,691.0	\$ 1,622.0	\$ 2,030.0	\$ 2,073.7	\$ 2,128.6	\$ 2,195.7	\$ 2,275.8	\$ 2,370.3			
Change in NWC		\$ 646.0	\$ (69.0)	\$ 408.0	\$ 43.7	\$ 55.0	\$ 67.1	\$ 80.2	\$ 94.5			
CapEx (% of Sales)	4.08%	4.22%	5.29%	5.13%	5.13%	5.13%	5.13%	5.13%	5.13%	0.00%	0.00%	

	Historical			Expected	Projected				
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	\$ 7,869	\$ 8,878	\$ 11,709	\$ 13,653	\$ 13,946	\$ 14,316	\$ 14,767	\$ 15,306	\$ 15,941
% YoY Growth	N/A	12.82%	31.89%	16.60%	2.15%	2.65%	3.15%	3.65%	4.15%
Cost of Goods Sold	\$ 6,438	\$ 7,259	\$ 9,301	\$ 10,615	\$ 10,843	\$ 11,131	\$ 11,481	\$ 11,900	\$ 12,394
Gross Profit	\$ 1,431	\$ 1,619	\$ 2,408	\$ 3,038	\$ 3,103	\$ 3,185	\$ 3,286	\$ 3,406	\$ 3,547
% Margin	18.19%	18.24%	20.57%	22.25%	22.25%	22.25%	22.25%	22.25%	22.25%
EBITDA	1,299	1,587	2,144	2,257	2,305	2,366	2,441	2,530	2,635
% Margin	16.51%	17.88%	18.31%	16.53%	16.53%	16.53%	16.53%	16.53%	16.53%
Less: Depreciation	384	419	545	553	565	580	598	620	646
EBIT	915	1,168	1,599	1,704	1,740	1,786	1,843	1,910	1,989
Less: Taxes	192	245	336	358	365	375	387	401	418
EBIT*(1-T)	723	923	1,263	1,346	1,375	1,411	1,456	1,509	1,572
Add: Depreciation	384	419	545	553	565	580	598	620	646
Less: Inc. in NWC		646	(69)	408	44	55	67	80	94
Less: CapEx	321	375	620	700	715	734	757	785	817
FCF to Firm	786	321	1,257	791	1,181	1,202	1,230	1,264	1,305
PV Factor					0.93	0.87	0.81	0.75	0.70
PV of FCF					1,099	1,041	991	948	912
PV of Terminal Value									14906.7