The Counterpoint Global team at Morgan Stanley Investment Management believes that Sustainability initiatives can drive or impair material value, aligning the company’s financial goals with aspirations of impact. We look for companies with “Positive Sustainability Optionality,” a form of intangible value overlooked by the investment community; in these cases, environmental and socially oriented initiatives could increase the company’s durable competitive advantages, unlock growth opportunities or increase profitability. Our Sustainability Research process leverages the team’s investors to identify the most material opportunities and risks these themes present. We combine investor insights with quantitative analysis of long-term incentive alignment and qualitative research into company culture from direct engagements.

We believe that Ball Corporation has significant Positive Sustainability Optionality driven by environmentally conscious consumers’ preference for highly recyclable aluminum containers over more harmful single-use plastic. This environmental theme strengthens the company’s durable competitive advantage, growth prospects and long-term margin outlook.

**Durable Competitive Advantage:** The company has proprietary technological processes to create specialty cans from their base of strategically located manufacturing infrastructure.

**Growth:** Beverage manufacturers will launch new and migrate existing products into cans to service consumer demand for environmentally friendly products. The global market opportunity for beverage containers is ~1.3T units per year, we anticipate aluminum will increase container share and Ball Corporation is set to capture the incremental opportunity.

**Profitability:** The company is poised to benefit from a margin tailwind as beverage manufacturers adopt specialty packaging to differentiate products. Ball Corporation has the vast majority of global specialty capacity and we anticipate that margins should expand as it becomes a bigger percentage of the business mix. For example, their water bottle disruptor, Alumi-tek Screw-top-bottle we estimate carries >50% more gross profits per unit than traditional 12 oz can.

We believe Ball Corporation has a company culture that will enable them to capitalize on this Positive Sustainability Optionality, with long-term alignment and empowered agency:

**Alignment:** The company has a compensation structure that aligns stakeholders. Both senior leadership and employees (the vast majority of employees are shareholders through their EVA program established in 1992) have incentives which reinforce long-term thinking and value creation.

**Agency:** The Chief Sustainability Officer has decision making authority to capitalize on the opportunity. She serves on the operating committee, has held other senior operating roles. The company has a cross-functional sustainability initiative where business unit executives, geographic leads and plant-level operators all drive towards a set of individual and company-wide Sustainability goals.

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