

BERY: Portfolio Practicum's Choice for the Materials Sector

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Berry Global Group (BERY) is a global manufacturer of plastic containers and packaging. It has 290 facilities and more than 2500 clients worldwide, including many big-name retailers. Berry's extensive portfolio of consumer packaging, health and hygiene products and engineered plastics materials gives it a wide reach across the industry and the economy.

We are optimistic about Berry's future for several reasons. First, Berry has proven to be a resilient company with steady growth. Historically, Berry has done an outstanding job of maintaining solid margins and generating free cash flow. Throughout the pandemic, Berry outperformed through efficient use of its supply chain, allowing it to expand profitability. With profit margins above that of the industry average and a steady return on equity, we believe that Berry can extend its growth well into the future. Berry's financials do not tell the story of a high growth company; rather, they show a company that performs well in good markets as well as in the face of adversity. We expect their valuable customer relationships will drive production increases for the foreseeable future.

Second, the dependability of the plastics industry gives Berry a solid foundation in years to come. Berry is a global leader in the production of sturdy plastic containers, such as aerosol caps, pharmaceutical bottles, food packaging and medical devices. Because of plastics' ties to consumer staples, Berry's performance tends to follow that of the economy. We believe this is an industry that will be dependable in the long run. Plastics and plastic containers continue to be in high demand. Berry was able to exploit a unique competitive advantage during the pandemic by supplying the packaging for many cleaning supplies that came into high demand. While this increase in demand might not be sustainable in the future, this demonstrates Berry's adaptability and its importance within the economy. As for future growth, Berry has other major divisions that appear more than able to pick up the slack if demand for these products decreases, including its Health, Hygiene and Specialties segment. In recent years, the container and packaging industry has generally experienced pressure to conform to new sustainability expectations. In response, Berry has committed to 30% circular plastics use in their manufacturing by 2030. Due to the nature of Berry's products (e.g., aerosol caps, disinfectant wipe containers, etc.), the CUSP managers do not see the paper wave harming Berry's profitability anytime soon.

Finally, given our own estimates and the estimates of analysts, Berry appears to be favorably priced compared to earnings and to industry competitors. Our analysis of the firm's intrinsic value suggests the firm will perform favorably for the portfolio in the near future. Given the CUSP's value investing focus and long-term perspective, we believe Berry is priced favorably relative to predicted financial performance and that the firm will continue its sales growth while maintaining margins and generating increasing free cash flow.

The CUSP portfolio managers agree that Berry Global Group's future growth is promising. With steady margins and healthy free cash flow, the dependability of the containers industry and Berry's ability to navigate supply chain issues within the pandemic, Berry Global is a favorable

holding with the CUSP managers moving forward. The class voted to add Berry to the CUSP portfolio in March of 2022.