

Company	Ticker	Country	Potential	Rating	Estimated Fair Value	
Owens-Illinois	OI	USA	47.50%		32.23 USD	GEM RESEARCH

Low growth + Worsening fundamentals are more important than the undervalued share price.



Key Data	Current
Price	21.85 USD
52-week Range	19.35 – 25.68 USD
Market Cap (Millions)	3,564 USD
Industry	Packaging (Glass)
Exchange	NYSE
P/E (TTM)	19.75x
YTD Return	-1.4%
Dividend Yield (2018e)	0.00%
2017 EBITDA (Millions)	1,072 USD
Debt / Equity (D/E)	569.9%

Investment Overview		
DCF Valuation	Undervalued	
Relative Valuation	Undervalued	
Potential Growth	Low	
Cash Flow Generation	Average	
Financial Leverage	High	
Liquidity	Average	
Solvency	Average	
Technical Trend	Bearish	

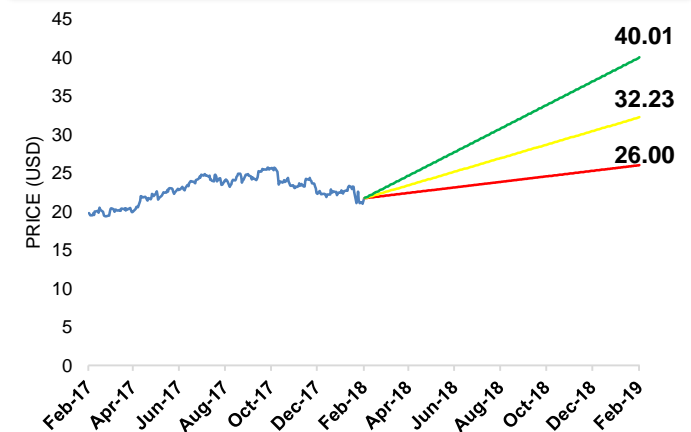
Company Background and Highlights

- Owens-Illinois was founded in 1903 and is headquartered in Perrysburg, Ohio. The company is the world's leading glass-packaging maker. It engages in the manufacture of glass packaging for many of the world's best-known food and beverages brands. Its glass packaging are used for beer, wine, spirits, food, non-alcoholic beverages, cosmetics and pharmaceuticals.
- It has 4 reportable segments based on its geographical locations"
 - Europe = 34.58% of sales
 - North America = 31.45% of sales
 - Latin America = 22.58% of sales
 - Asia Pacific = 10.39% of sales
 - Other = 1% of sales
- The company has customers in 86 countries, 79 plants in 23 countries and Joint Ventures in China, Italy, Malaysia, Mexico, the U.S. and Vietnam.
- In 2015, the company acquired Vitro's food and beverage glass container business for an approximate value of USD 2.15 Billion. Vitro is the largest supplier of glass containers in Mexico and this will help grow Owens-Illinois sales in Latin America for the upcoming years.

Business Quality

THE GEM MATRIX		Growth			
Fundamentals	Low	Medium	High	Very High	
Weak					
Average					
Strong					
Very Strong					

Share Price Forecast



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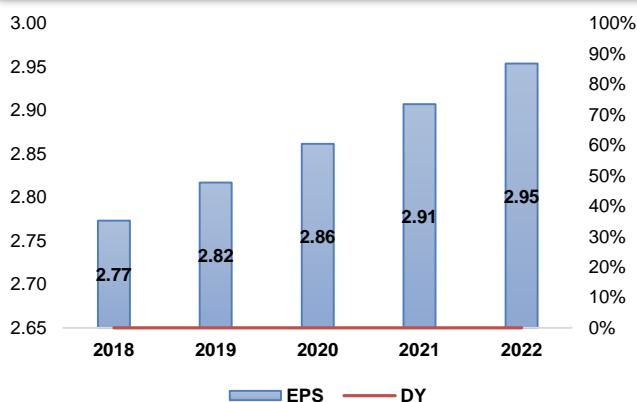
Domestic Peers (data in Millions USD, except for share price)

Company	Country	Market Cap.	Revenue (LTM)	Last Price
Ball Corporation	USA	13,869	10,983	39.62 USD
Packaging Corp. America	USA	11,263	6,445	119.37 USD
Crown Holdings	USA	6,915	8,698	51.50 USD
Sonoco Products	USA	4,961	4,875	49.91 USD
Graphic Packaging	USA	4,692	4,404	15.15 USD

Profitability Measures

Ratios	2014	2015	2016	2017	3Y Average
ROA	2.0%	1.6%	2.3%	1.9%	1.9%
ROE	11.4%	14.6%	44.6%	27.9%	29.0%
ROIC	13.3%	10.5%	10.9%	9.6%	10.3%

Forecasted EPS & Dividend Yield



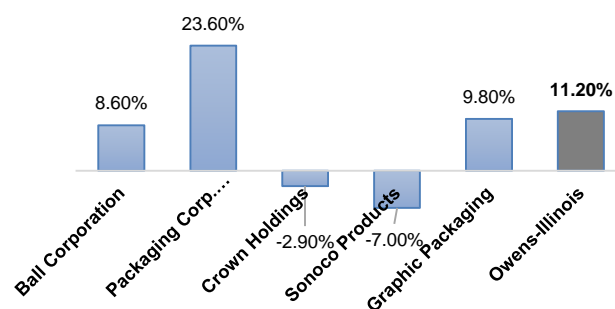
Next Events

Q1 2018 Earnings Release	April 23, 2018
Q2 2018 Earnings Release	July 25, 2018

Main Shareholders

Vanguard	10.89%
BlackRock Fund Advisors	7.99%
First Pacific Advisors	5.95%
GWL I.M.	5.95%
Atlantic I.M.	3.89%

1-Year Performance



GEM's Opinion

Owens-Illinois has a very aggressive balance sheet, with low equity and plenty of obligations. Its Debt to Equity ratio is very high, however it has always been like this since before the year of 2008. The liquidity is fine but could be better. The coverage ratio is typically between 2 – 3x which is average.

Sales have been very negative until 2016, when it grew 8.87%. In 2017 the company was able to grow its sales by 2.49% and we expect the future sales growth to be around this figure. Both the gross margin and the operational margin have decreased in 2017 and the negative trend is worrisome. The net profit margin also went down but it's inline with the historical average.

The profitability of the company is quite weak when considering the high leverage involved. The 2017 ROA was the same as its historical average and the ROE is inflated by the extremely high leverage. The ROIC is clearly on a downward trend and if it becomes lower than its cost of capital, it will be a very bad signal for investors.

Leverage has decreased significantly from 2016 but remains at a very high level, at 10.52x.

The company does not pay dividends and therefore we cannot give an opinion on neither the payout or dividend yield metrics.

The stock does attract attention because of the difference from its actual price to its potential value. Nevertheless, the constant weakening of its fundamentals and the low sales growth are 2 important barriers impeding a possible investment in the company. We might be wrong, but this looks a lot like a value trap investment case.

OI Track Record	Price	Fair Value	GEMs
February 16, 2018	21.85	32.23	3
December 15, 2017	22.28	35.88	4

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GLOSSARY

- BRL = Brazilian Real
- P/E = Price / Earnings
- YTD = Year-to-Date
- TTM = Trailing-Twelve-Months
- LTM = Last-Twelve-Months
- DCF = Discounted Cash Flow
- N/D = Not Disclosed
- EBITDA = Earnings before Interest & Tax and Depreciation & Amortization
- EBITDA Margin = EBITDA / Sales
- Net Margin = Net Income / Sales
- Current Ratio = Current Assets / Current Liabilities
- Quick Ratio = (Cash & Equivalents + Marketable Securities + Accounts Receivables) / Current Liabilities
- Cash Ratio = (Cash & Equivalents + Marketable Securities) / Current Liabilities
- Interest Coverage = Operating Income / Interest Expense
- Days Sales Outstanding = Average amount of days it takes to convert Receivables into Sales.
- Days Sales of Inventory = Average amount of days it takes to convert Inventories into Sales.
- Days Payable Outstanding = Average amount of days it takes to pay is trade creditors, such as suppliers.
- CCC = Cash Conversion Cycle
- Payout = Dividends / Net Income
- Dividend Yield = Dividend Per Share / Share Price
- Market Cap. = Market Capitalization = Share Price x Shares Outstanding
- WACC = Weighted Average Cost of Capital = Discount Rate
- P/B = Share Price / Book Value per Share
- EV/EBITDA = Enterprise Value / EBITDA
- EV/Sales = Enterprise Value / Sales
- SG&A = Selling General & Administrative Expenses
- EPS = Earnings Per Share

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