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SEE - Q2 2015 Sealed Air Corp Earnings Call

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OVERVIEW:

SEE reported 2Q15 net sales of $1.8b and adjusted EPS of $0.60. Expects full-year 2015 net sales to be approx. $7.1b and adjusted EPS to be $2.24-2.28.

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Scott Gaffner *Barclays Capital - Analyst*

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Philip Ng *Jefferies LLC - Analyst*

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Anthony Pettinari *Citigroup - Analyst*

Chip Dillon *Vertical Research Partners - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the second-quarter 2015 Sealed Air earnings conference call. My name is Venice, and I will be your operator for today.

(Operator Instructions)

As a reminder, this conference is being recorded for replay purposes. I would now turn the conference over to your host for today, Lori Chaitman, Vice President, Investor Relations. Please proceed.

Lori Chaitman - *Sealed Air Corporation - VP of IR*

Thank you. And good morning, everyone. Before we begin our call today, I would like to note that we have provided a slide presentation to help guide our discussion. This presentation can be found on today's webcast and can be downloaded from our IR website at sealedair.com.

I would like to remind you that statements made during this call stating management's outlook or predictions for the future are forward-looking statements. These statements are based solely on information that is now available to us. We encourage you to review the information in the section entitled Forward-Looking Statements in our earnings release, which applies to this call.

Additionally, our future performance may differ due to a number of factors. Many of these factors are listed in our most recent Annual Report on Form 10-K, and as revised and updated on our Quarterly Reports, Form 10-Q, which you can also find on our website. We also discuss financial measures that do not conform to US GAAP.

You may find important information on our use of these measures and their reconciliation to US GAAP in the financial tables that we have included in our earnings release. Please note that we will end the call by 11 AM today.

Now, I'll turn the call over to Jerome Peribere, our President and CEO. Jerome?

Jerome Peribere - *Sealed Air Corporation - President & CEO*

Well, thank you, Lori. And good morning, everyone.

Our comments today will focus on the second quarter and our outlook. But before I get started, I want to briefly highlight significant events that have taken place in June and July.

First, let me highlight our Analyst Day that took place on June 18. For those of you who couldn't make it, if you haven't done so already, I would encourage you to visit our IR website, download the presentation and listen to the replay. To quickly recap, we outlined our financial and operational objectives for 2018 and our key targets for 2020.

We discussed in detail how those objectives and targets will be achieved as we continue executing on our Get Fit and Change the Game strategy. We have executed on many Get Fit programs to-date, but as we discussed at our Analyst Day, we still have more to be done. And we will stay focused on driving profitable growth and margin expansion opportunities.

We clearly defined our Change the Game strategy and outlined the investments that we're making in new markets, new business models, and disruptive innovation. You have all heard me say this before, but let me remind you that our Get Fit and Change the Game strategy is not a destination, it is a journey. And that journey is already transforming us into a knowledge-based company with unique know how, resolutely dedicated to making our customers win and sharing in the value being created.

Second, earlier in June, we completed the refinancing of our 2021 senior notes and issued new US and euro senior notes that extended maturities, increased covenants flexibility, and reduced our annualized interest expense. With the completion of this transaction, we announced a new $1.5 billion share repurchase program on July 15, which reflects our commitment to return value to shareholders.

And with that, let me now turn to what I would qualify a very strong second quarter. At this point, I'm sure that you've had a chance to review our press release and earnings results for the second quarter. Net sales of $1.8 billion increased 3.3% on an organic basis, which excludes both currency headwinds and the results from North America tray and pads business, which was sold at the beginning of April in 2015. Adjusted gross margins were up 260 basis points compared to last year as a result of favorable price mix, lower input costs, and manufacturing improvements.

Our adjusted EBITDA was a record of $308 million, or 17.2% of net sales, an organic increase of 25%. Our adjusted EBITDA margins expanded 280 basis points with both Food Care and Product Care delivering 20%-plus margins for the second consecutive quarter. And while Diversey Care was hit the hardest by currency, it delivered 12% adjusted EBITDA growth on a constant dollar basis.

Let me now turn to slide 4, where we present our performance by region for the second quarter. On an organic basis, North America sales were up over 2% compared to last year. Food Care and Diversey Care were up approximately 4%. And in Product Care, North America declined approximately 2% as a result of rationalization efforts and weakness in the manufacturing and electronic sectors.

The Europe, Middle East and Africa, or EMEA, was up 3% in constant dollars and down 15% on an as reported basis as a result of currency devaluation. In constant dollars, Russia was our fastest growing country with growth of 26%. Turkey was up 7%, Italy was up 6%, both Germany and Spain were up 4%, and France and Holland were flat to slightly up. Growth in these countries was offset by a slight decline in the UK and in Switzerland. The nine countries I just referenced accounted for approximately 24% of the second quarter consolidated sales.

In APAC, we delivered constant currency growth of 4% and a decline of 5% on an as reported basis. And in constant dollars, Australia was up 6%, led by Food Care; India and Southeast Asia were up 8%, and New Zealand was up 2%. Constant dollar growth in Latin America was 9%, primarily driven by double-digit growth in Mexico and Argentina, offset by a 3% decline in Brazil.

Let's now turn to slide 5, and this highlights the results of our Food Care division. In the second quarter, Food Care sales increased 4.2% on an organic basis with growth across all the regions. Favorable price mix was 2.7% and volume was up 1.5%. We had favorable price mix and positive volume trends in every region except Latin America, where volume was negatively impacted by the market conditions in Brazil.

Net sales in constant dollars in Latin America were up 11%, APAC increased 5%, EMEA was up 2%. And on an organic basis, North America increased 4%. We delivered strong double-digit constant dollar sales growth in Russia, Argentina, Mexico; and mid to high single-digit growth in Italy, Australia, and New Zealand. We experienced constant dollar declines in France and Brazil, two countries that each account for 3% to 4% of our global Food Care sales. China, which is approximately 2% of our Food Care sales, was down 7%, primarily due to weakness in our hygiene business.

In North America, cattle production was down 8%, which was offset by mid single-digit growth in smoked and processed food and poultry. Fresh red meat is our largest market, and yet despite declines in the cattle market, we still delivered 4% organic growth in North America. Our fresh red meat business was up slightly and we experienced strong growth in the poultry market. This performance was a result of continued adoption of our advanced product offering. And overall in North America, we had favorable price mix and volume growth.

For the remainder of the year, we expect continuous decline in the beef market, but at the decelerating rate than that we have been experiencing over the last nine months to 12 months. In Europe, we have seen a slight improvement in the protein market. The improved market conditions, coupled with the adoption of our new very successful products, resulted in a 4.5% constant dollar growth rate in our European food packaging business. We are experiencing increased demand for Darfresh on Tray and OptiDure and have also been successful in our value-added selling approach.

Turning to Food Care's adjusted EBITDA performance, we delivered adjusted EBITDA of $174 million, which is a 10% increase on an as reported basis and a 27% increase on an organic basis. Adjusted EBITDA margins of 20.5% were up 410 basis points. This increase was largely a result of an improved mix of premium products, portfolio management, global pricing initiatives, and cost synergies.

Within our European hygiene business, it is worth noting that we have seen a meaningful increase in our EBITDA margins as a result of our portfolio management efforts and pricing initiatives. As we head into the back half of the year, we expect further adoptions of our new products on a global basis and continue to focus on value-added selling. However, this will be partially offset by formula pricing in North America, currency headwinds and other external factors, including, for example, the fact that the slaughter rates in Australia are starting to decline and we'll further do that.

Some of these external focus also include economic challenges in Brazil and Venezuela, and a slowdown in Australia, as I just mentioned. We anticipate EBITDA growth in the second half of the year, but not at the same rate experienced in the first half. And for the full year 2015, we are on track to deliver strong annual EBITDA growth and margin expansion.

Slide 6 highlights the result from our Diversey Care division. Diversey Care net sales on a constant currency basis were up 3.8% in the second quarter. Favorable price mix was up 2.2% and volume increased 1.6%. We delivered favorable price mix and positive volume trends in all the regions. Our fastest-growing regions in the quarter were Latin America and North America, with constant daily sales growth of 9% and 5%, respectively.

Asia Pacific was up 3.5% and EMEA over 2%. From an end-market perspective, we experienced increased demand in food service, hospitality and healthcare, and we also experienced increased demand in our distribution channels. EMEA accounts for approximately 50% of our net sales, as you know. And among our largest markets throughout this region, we experienced high single-digit growth in Turkey, positive sales in France, Italy, Holland and Germany.

Challenging economic condition and instability are slowing down Russian and local tourism in Turkey and Dubai. In addition, the ongoing economic crisis in Greece is also negatively impacting tourism, and this decline in tourism, which we're currently experiencing, will have an impact in the second half of the year in our hospitality market, especially in the third quarter.

North America accounts for 30% of our net sales and delivered 5% constant dollar sales growth with increasing demand from our hospitality and healthcare segments. In Asia Pacific, double-digit growth in India and Australia was partially offset by softness in China. Performance in Latin America was driven by growth in Argentina and Chile, partially offset by a low single-digit decline in Brazil.

Diversey Care delivered adjusted EBITDA growth of $69 million, or 12.9% of net sales, in the quarter. And as we anticipate, currency translation negatively impacted our performance in the quarter. And on a reported basis, adjusted EBITDA declined 5%. In constant dollars, however, adjusted

EBITDA was up 12% compared to last year. This growth was driven by our success in our value-added selling approach, high volumes and cost synergies, partially offset by higher SG&A as we continue to heavily invest in sales and marketing and R&D to further support growth opportunities.

For example, we're already seeing strong interest in our robotic floor care machines with our recent acquisition of Intellibot, and are having many conversations with our customers around our Internet of Clean solutions. As a result, we're accelerating our investment in both equipment and data analytics into year-end. And despite these investments and currency headwinds, we're still on track to deliver EBITDA growth on a constant dollar basis and margin expansion for the full year.

Slide 7 highlights the results from our Product Care division. Net sales were essentially unchanged in constant dollars on a year-over-year basis. We had favorable price mix of just over 1% on volumes that declined nearly 2%. Favorable price mix continues to be driven by our pricing efforts across global -- both global performance packaging and general packaging. Second quarter volume was impacted in fact by rationalization efforts in Latin America and to a lesser extent also in North America.

Our rationalization efforts are focused on our general packaging solutions, and should be mostly behind us by mid 2016. On a regional basis, North America net sales were down 1.6% in constant currency, while EMEA was up 3.6%. It is also worth noting that both China and Japan were up in the mid to high single-digits. Excluding rationalization efforts in North America, net sales would have been slightly up.

And as I said earlier, in North America, we experienced market weakness in manufacturing and electronics, but this was offset by strength in e-commerce and third-party logistics. Our growth in EMEA was due to increased demand in our performing packaging solutions, particularly in Germany and in Spain, which is recovering now.

On a global basis, we're seeing strong growth in both e-commerce and third-party logistics and are confident that this growth will continue for the foreseeable future, given our product breadth, global reach, and focused investment in performance-based packaging.

And let's now turn to adjusted EBITDA. Product Care delivered adjusted EBITDA of $79 million, which is a 10% increase on an as reported basis and an 18% increase in constant dollars. Adjusted EBITDA margins of 20.7% expanded 310 basis points compared to last year's results. This increase was a result of an increasing mix of global performance packaging and pricing discipline. For the remainder of the year, we anticipate continued EBITDA growth and margin expansion, as well.

And now, let me pass the call to Carol to review our total net sales, adjusted EBITDA, cash flow, and outlook. Carol?

Carol Lowe - *Sealed Air Corporation - SVP & CFO*

Carol P. Lowe - Senior Vice President and Chief Financial Officer Thank you, Jerome.

Turning to slide 8, let me walk you through our net sales performance on a year-over-year basis. We delivered $1.8 billion in sales, an increase of 3.3% on an organic basis. Favorable price mix was 2.4%, or $48 million, and volume was up 1%, or $18 million. Unfavorable currency translation had an impact on net sales of $199 million, or 10%, mostly due to the declines in the euro and Russian ruble. Net sales on an as reported basis were down 9.6%.

Turning to slide 9, you can see our adjusted EBITDA performance for the quarter and first half of 2015. Adjusted EBITDA increased 8.4% as reported to $308 million, or 17.2% of net sales. For the total company, the increase in adjusted EBITDA was largely due to favorable mix and price cost spread of $58 million.

Cost synergies also made a positive contribution of $16 million in the quarter. The North America trays and pads divesture had a $12 million negative comparison for adjusted EBITDA, and unfavorable currency translation was $34 million. Despite currency headwind, we still delivered a 260 basis point improvement in adjusted gross margin and a 280 basis point improvement in adjusted EBITDA margins compared to last year. On an organic basis, our adjusted EBITDA increased 25% as compared to the 2014 results for the same period. Adjusted earnings per share for the quarter was $0.60 as compared to $0.42 in the second quarter last year.

Currency negatively impacted EPS by $0.09. The tax rate for the second quarter of 2015 was 29%, as compared with 29.5% for the second quarter 2014. In the first quarter 2015, the tax rate was 25%, and we are still anticipating a 25% tax rate for the full year of 2015. The sequential increase from the first quarter was primarily due to higher taxable earnings in the US, which has one of our highest tax rates. For the full year, we expect to have higher earnings in some of our lower tax jurisdictions.

In the second quarter, we repurchased approximately 1.8 million shares for a total value of approximately $86 million. In the first half of 2015, we repurchased 3.2 million shares. And as of July 28, we have repurchased an additional 2.7 million shares, bringing our year-to-date repurchases to a total of 5.9 million shares.

Now, turning to slide 10, we outlined our price mix, volume trends, and sales growth on a constant dollar basis by division and by region. As you can see from the slide, we had favorable price mix in every division and in every region. Volume was up in Food Care and Diversey Care and, excluding rationalization effort in Product Care, volume would have been up slightly.

We delivered volume growth in all regions except Latin America, which was impacted by the economic environment in Brazil, as Jerome previously referenced, and our rationalization effort in Product Care. For the total company, we delivered 3.3% organic growth.

Turning to slide 11, you can see free cash flow was a source of $171 million for the first six months of the year, excluding the $235 million tax refund received related to the Grace settlement. This compares favorably to a source of $119 million for the six months ending 2014 due to higher earnings and an improvement in operating working capital management.

As many of you know, the company focuses its management of operating working capital on a 13-month average target. For the 13-month period ending June 30, 2015, the average for operating working capital as a percent of net sales was 16%. This represents a 250-basis point improvement compared to June 30, 2014.

CapEx was $58 million and cash restructuring costs were $45 million for the six months ending June 30, 2015. Our updated outlook for 2015 is presented on slide 12. We continue to expect net sales to be approximately $7.1 billion. Unfavorable currency is expected to be approximately 9%, or $700 million. Also, as a reminder, the trays and pads business generated approximately $200 million in sales in 2014. This disposition did not qualify under the accounting rules for treatment as discontinued operations.

Therefore, prior years and the first quarter of 2015 include the North America trays and pads business, but there is no benefit from this business going forward, nor was there any in the second quarter of this year. Excluding the impact of the divestiture and currency headwinds, we continue to anticipate an organic growth rate of approximately 3%.

Adjusted EBITDA is now expected to be in the range of $1.16 billion to $1.17 billion, which compares to our previous guidance of $1.14 billion to $1.16 billion. This reflects our strong performance in the first half of the year. We will continue to face currency challenges as compared to last year. We're now estimating FX to have a negative impact on adjusted EBITDA of approximately $110 million.

We want you to keep in mind that in the third quarter of 2014, the euro was at $1.34 and in Q4 2014, the euro was at $1.26. Our forecast for the second half of the year assumes the euro at $1.10. Other currencies where we have exposure includes Russian ruble, the Brazilian real, and Australian dollar.

Adjusted earnings per share is expected to be in the range of $2.24 to $2.28 as compared to 2014 adjusted earnings per share of $1.86. As a reminder, at our Analyst Day in June, we increased our EPS range by $0.03 to $2.11 to $2.18 to account for the interest savings related to our senior note refinancing. Our interest expense for 2015 will be $235 million, a $10 million reduction from the forecast we had provided earlier in the year.

On an annualized basis, the senior note refinancing transaction will reduce our interest expense by $20 million. Constant currency earnings per share would be approximately $2.24 to $2.58, without the impact of currency. As I highlighted earlier, we repurchased a total of 5.9 million shares as of July 28, and we will continue to be active in our share repurchase program. Our earnings per share outlook for 2015 is based on 209 million shares outstanding for the balance of the year, which reflects the weighted average full year effect of all the share repurchase completed as of July 28.

We are revising our free cash flow guidance to $585 million from the previous $575 million to reflect the higher adjusted EBITDA forecast. Our free cash flow outlook also excludes the $235 million refund related to the Grace settlement, which I previously referenced. Cash interest payments are expected to be $230 million as compared to our previous forecast of $240 million. And cash tax payments are now estimated at $115 million. We are on track to invest $210 million in capital expenditures and are still anticipating $120 million in restructuring activities.

We also continue to estimate approximately $50 million in cost synergies for 2015 from these restructuring efforts. This concludes my prepared remarks. But before we open the call to questions, I would like to remind you that our third quarter earnings call is tentatively scheduled for Thursday, October 27, at 10:00 am.

Operator, can you please open the call for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from Ghansham Panjabi with Baird. Please proceed.

Ghansham Panjabi - *Robert W. Baird & Company, Inc. - Analyst*

Hey, guys, good morning.

Carol Lowe - *Sealed Air Corporation - SVP & CFO*

Good morning, Ghansham.

Jerome Peribere - *Sealed Air Corporation - President & CEO*

Good morning.

Ghansham Panjabi - *Robert W. Baird & Company, Inc. - Analyst*

Can you first off update us on the volume outlook for each of the segments for the back half of the year? On protective packaging, do think it'll remain down for the rest of the year? Diversey, there seems to be some momentum, should we expect that to continue into the back half?

And also in Food, do you see any deviation from the first half volume run rate, anything else that we should think about? Thanks so much.

Jerome Peribere - *Sealed Air Corporation - President & CEO*

So, good question, Ghansham. The volumes are there except in Product Care, but this is mostly the results of rationalization.

So what we had is a negative almost 2.5% globally in the first quarter in Product Care, and now it's about 1%. We're seeing this improve over time. And probably in the second half definitely, we are going to be hitting the e-commerce season and we're putting lots of efforts in some very specific sectors in there.

And I must say that we are having or we're on the verge of having some pretty nice customer wins and so --. We also are introducing quite nice new products, which have a lot of momentum. And this is in both equipment and in the new product themselves. So I would be -- I'm quite positive that the very forceful efforts put by Ken and his forceful leadership are going to bring pretty good results.

Carol Lowe - *Sealed Air Corporation - SVP & CFO*

And Food Care?

Jerome Peribere - *Sealed Air Corporation - President & CEO*

On Food Care -- but on Food Care, it's quite interesting. We have had nice volume growth in an environment which is not necessarily very favorable. When you look at the overall market, you see that the red fresh meat market in the US has been very depressed in the second quarter. I think I remember 8% reduction, which is one of the biggest negative percentages. We believe that the percentages of reduction are going to slowly taper down, but we haven't seen that yet.

In Brazil, the situation is really bad. There are many slaughterhouses, which have been closing. I think the number is 15. JBS has recently published that they have closed five.

And this is the result of drought, high prices of red meat at the cattle level, reducing purchasing power, and that red meat is an expensive meat and, as a result, there has been transfers into poultry. So we have had negative volume in Brazil.

For the rest of the year, we are going to see -- we're carefully optimistic, but the poultry market has been good for us and we expect that it is going to continue being good. Our EMEA business is actually pulled by new products. And OptiDure, Darfresh on Tray are doing absolutely wonderful, and we are expecting those new products to continue pulling our business there. So we had positive growth, not as much in the second quarter as we had in the first quarter, but we believe that it's going to be okay.

Diversey has been improving its volume. And we had flat volume in Q1, we had definitely growth in Q2, and we're happy with what we're seeing here. So having said that, in Diversey, the comp in third quarter is not going to be very favorable because we had strong TASKI sales in Q3 of last year.

Lori Chaitman - *Sealed Air Corporation - VP of IR*

Operator, next question, please.

Operator

Our next question comes from Scott Gaffner with Barclays. Please proceed.

Scott Gaffner - *Barclays Capital - Analyst*

Thanks. Good morning.

Jerome Peribere - *Sealed Air Corporation - President & CEO*

Good morning, Scott.

Carol Lowe - *Sealed Air Corporation - SVP & CFO*

Good morning, Scott.

Scott Gaffner - *Barclays Capital - Analyst*

Just looking at the change in EBITDA year-to-date, you put up about $114 million mix in the price cost spread. Can you talk about that a little bit? How much is really coming from mix, how much is coming from price cost spread, and how should we expect that to trend in the second half of the year?

Carol Lowe - *Sealed Air Corporation - SVP & CFO*

Yes. So Scott, we really -- we don't break that out, and I know Jerome will have a comment as it relates to some of our input costs. But we would expect for the second half of the year and specifically with Food Care, we will have a benefit from some lower input costs.

But at the same time, as everyone's aware, we do have the formula pricing for Food Care, as Jerome referenced in this opening remarks. And so that will narrow that positive price cost spread that we'll see in the second half compared to the first half. So, Jerome, I don't know if you want to make any specific comment.

Jerome Peribere - *Sealed Air Corporation - President & CEO*

Yes. I always like to -- in a growing -- in an increasing raw material environment, it is very important to see whether you've got price increases and whether you've got price. In a decreasing environment, and we have had that compared to 12 months ago, with resin, what is important is mostly to see whether you get margin expansion or whether you don't, to see -- to look at your pricing discipline.

The interesting thing is that we've got positive pricing. And we've got positive pricing in every single of our division, not as much as we got in the first quarter, but we've got positive pricing, and that is important. That leaves me to the second half and the resin prices in North America to raise resin prices in July, it's not going through. And we'll see what August gives.

But the volume overall is -- and the business is fairly weak in the polyethylene arena, olefins arena globally. And we just don't believe at this point in time that there's going to be major price increases. And as a result of that, what we're going to be seeing is formula pricing gets its impact during the third quarter.

Carol Lowe - *Sealed Air Corporation - SVP & CFO*

And, Scott, I'll add to that just that when we referenced pricing, it isn't necessarily general across the board pricing increases. We've communicated frequently that we're being very focused in understanding the value that we're bringing to our customers, helping them understand that.

And so some of our pricing actions are just going to our customers and making sure we're getting the value for what we've created. And again, just to emphasize it, it's very specific based on the values that we're bringing. So from that standpoint, there is a portion of it that is -- it really is definitely mix because it's higher value solutions that we're bringing to the marketplace.

Lori Chaitman - *Sealed Air Corporation - VP of IR*

Operator, next question, please.

Operator

Our next question comes from Mark Wilde with BMO. Please proceed.

Mark Wilde - *BMO Capital Markets - Analyst*

Yes. I wondered, Jerome, if you can just talk about the impact of FX in terms of just changing mix within any of your businesses as we look around the globe? For example, you would think that the weaker currency would be helping like fresh meat exports from places like Australia and Brazil.

Jerome Peribere - *Sealed Air Corporation - President & CEO*

So what you do have is -- so I'm starting with Australia and Brazil and stuff. Yes, normally you should have that. It happens that the export markets for Brazil, as an example, is fairly weak.

And you have some major companies out of Brazil, which I have made comments recently saying that not only the local market is very weak, their local market is extremely weak for fresh red meat, but also the export market is fairly weak for them also. And yes, you're right that normally a lower real should help, but it seems that the export markets are fairly weak.

With regards to Australia, the slaughter rates of the herd has been double-digits in the first quarter and is slightly coming down. And the reason is very normal. Those levels are completely unsustainable, completely unsustainable.

And as a result of that, we are seeing a little bit less growth -- very strong growth actually in Australia on our business. But a little bit less growth, not -- the first quarter was, if I remember well, double-digits and here we're talking about high single-digit.

With regards to currency in general, we had $57 million of negative EBITDA as a result of currency translation when you take first quarter and second quarter combined. And we have said that we are seeing -- that we are forecasting $110 million. My view is that it's likely to be slightly higher than that, because with oil being very low, with commodities, ag commodities, minerals being very low, countries like Brazil and so are going to be -- have seen the real and their local currency devalue compared to the dollar -- versus the dollar.

And we might see further devaluations. I'm not going to anticipate too much, but this is why we need to be a little bit cautious, because the real is -- was yesterday, I didn't check today, but it was at $3.36 versus a forecast of -- or versus what it was a year ago exactly at this time at about $2.22, $2.23 and versus the second quarter this year at $3.10. So we have to be careful there.

Lori Chaitman - *Sealed Air Corporation - VP of IR*

Operator, next question, please.

Operator

Our next question comes from George Staphos with Bank of America. Please proceed.

George Staphos - *BofA Merrill Lynch - Analyst*

Hi, everyone. Good morning. Thanks for all the details.

Jerome, I had a couple of question again on volume. I guess, first of all, if possible, can you comment at all how much of the decline in Product Care was related to the downturn in manufacturing electronics, as you term it, how much of it was rationalization?

And if I could tack on a part two, in Diversey, it was nice to see the volume growth there. Could you provide a bit more color in terms of what initiatives are working? Are you getting any actual traction in terms of volumes from things like Internet of Clean and robotics or is that just increasing the interest? Thank you.

Jerome Peribere - *Sealed Air Corporation - President & CEO*

Okay. Good to hear from you, George. Good question, again.

The Product Care in North America would have been up if we would exclude voluntary rationalization of our portfolio. You know that I am keen in margin expansion and the quality of business and, as a result of that, we are leading there and being very forceful. The other thing that we have done is that in Latin American countries, starting with Mexico, we had a commodity business, which was really unprofitable and, therefore, we just -- we did that out.

Having said that, we would have seen higher growth in volume in North America, should the electronic business be more positive. And actually it's been fairly negative when you look at the computers consumption, when you look at the -- those kinds of devices consumption, it's been fairly weak. On the positive, we're seeing a lot of momentum in 3PL and e-commerce, and we are introducing some very, very interesting solutions here, which make me very positive for the next 12 months.

On Diversey, I'm pretty happy of what I'm seeing, because the trend is a positive trend, and we're having nice volume in every single region. So volume growth is accelerating. We think we had a bad quarter for all kind of reasons at the beginning of the year in Canada.

We're seeing a strong volume growth there. We're seeing very nice in the US EMEA is doing much better and we're seeing volume growth there. And when I compare quarter one and quarter two, I'm just seeing a trend.

So these are not businesses which turn around very quickly, because customer wins and the share of wallet at the customer is just a long-term process, but I'm positive. So coming to the Internet of Clean, et cetera, Internet of Clean was a Change the Game initiative that we talked to you during our Analyst Day. These are not big products today.

We are starting -- we're having very interesting pilots with customers and things are moving favorably. But you're not going to see a huge swing all of a sudden out of this.

Intellibot, I can tell you how happy I am, I really am. We have seen a pickup in our machine ordering, pickup in our sales, and we are investing a lot. We're going to lose money in 2015 out of this Intellibot operations, because in fact we are accelerating our R&D and our commitment to that. So actually this is going to impact the second half of the year. But I'm very happy with that.

Lori Chaitman - *Sealed Air Corporation - VP of IR*

Operator, next question, please.

Operator

Our next question comes from Philip Ng with Jefferies. Please proceed.

Philip Ng - *Jefferies LLC - Analyst*

Hey, good morning, guys. Impressive quarter, congratulations on that front.

You mentioned the contractual pass-through will kick in a little more fully in the back half for Food Care. Should we still expect positive pricing in that business and the amount of pricing you're seeing in Product Care? Is this a good level, especially with a potential uptick in the back half from a favorable mix?

Jerome Peribere - *Sealed Air Corporation - President & CEO*

So, well, formula pricing is going to have a negative impact on our pricing in Food Care in the third quarter, there is no doubt about that. So I think it's important. We have had positive pricing in the US specifically, because formula pricing is mostly in the US or in North America, I should say.

We have seen in Q1 and Q2 the price only just -- the percentage increase come down because we have positive pricing. And I think it's going to continue to come down in the third quarter for the mechanical reason I just talked to you about.

With regards to Product Care, we are seeing -- we're having price increases, but again, not as much. And the main reason I told you earlier is that when you have an environment where the resins don't go up, and when they have been going down, if you retain pricing, you have margin expansion, you don't have price.

Lori Chaitman - *Sealed Air Corporation - VP of IR*

Operator, next question, please.

Operator

Our next question comes from John McNulty with Credit Suisse. Please proceed.

John McNulty - *Credit Suisse - Analyst*

Good morning. This is for John McNulty.

Just one question, on the cash flow front. What should we think about your ability to further improve working capital throughout the remainder of the year, for either efficiency improvement, inventory management, other things you could do?

Carol Lowe - *Sealed Air Corporation - SVP & CFO*

So, good morning and thank you. So in terms of the working capital, what we had previously discussed was that for the full year of 2015, we were expecting a little bit more than $100 million positive contribution from working capital and other. And so you can think somewhere between probably $100 million to $120 million. It will depend on, obviously, our activity within Q4, that will drive receivables and payables, but somewhere between $100 million and $120 million for the full year.

Lori Chaitman - *Sealed Air Corporation - VP of IR*

Operator, next question.

Operator

Our next question comes from Anthony Pettinari with Citi. Please proceed.

Anthony Pettinari - *Citigroup - Analyst*

Good morning. I was wondering if you could discuss the realization of the European price hikes you announced in the quarter, if you were satisfied with the progress there.

And then if you could just talk generally about price cost in Europe, maybe views on the second half? Price mix in Europe has been positive, that's lagged the company a little bit. Is that just a tilt towards Diversey or if could you just give some color there?

Jerome Peribere - *Sealed Air Corporation - President & CEO*

So yes, we announced a price increase. We have -- and this is on the back of resin prices, which have increased in March and April and May.

And we have had favorable responses on this occasion. And we don't think that there are going to be much more -- or there's going to be price increases on olefins in the rest of the year. So just to cut the story short, yes, we have had price in EMEA as a result of oil price increases.

Lori Chaitman - *Sealed Air Corporation - VP of IR*

Operator, next question, please.

Operator

Our next question comes from Chip Dillon with Vertical Research. Please proceed.

Chip Dillon - *Vertical Research Partners - Analyst*

Yes, good morning, Jerome. Question I had for you all was, basically looking at the two things. One, the pace of the buybacks certainly in July was quite strong, and it looks like if you kept that pace, you would actually use up the authorization in about another eight months or nine months. Now, I don't want to pin you down, but would you be disappointed that if you didn't have the opportunity to complete that buyback, say, by the end of next year, is that a fair statement?

And then, if Carol could just talk a little bit about the amortization that's very elevated at Diversey, does that at some point start to come down? I know it's not a cash flow issue, but it would be an earnings issue as we look at the out-years?

Carol Lowe - *Sealed Air Corporation - SVP & CFO*

Okay. So, thank you, Chip.

So with the share repurchase program, as you know, the program itself does not have an expiration date, and the Board authorized the $1.5 billion share buyback program. We're active in the market. We have the 10b5 program. And I've discussed at the Analyst Day how a lot of companies think they can time these things and it doesn't necessarily prove out.

So we're just being very prudent in how we have structured the program, so they can operate automatically when we have our blackout period and things like that, and we'll just continue to operate that way. So the market will determine whether that $1.5 billion in shares is used quicker, or if it takes more time. That's really going to largely depend on a lot of the market dynamics.

And with respect to the amortization, we are -- obviously, what you see with Diversey Care is the amortization of the intangibles that was acquired through the Diversey acquisition. And we will see a decrease in that, as we go forward. But for example, if we look at the amortization of intangibles for 2014, it was approximately $120 million and, for 2015, it's approximately $95 million. So we will continue to see that come down around that scale.

Lori Chaitman - *Sealed Air Corporation - VP of IR*

Operator, next question, please.

Operator

We have a follow-up question from Mark Wilde. Please proceed.

Mark Wilde - *BMO Capital Markets - Analyst*

Hey, Jerome, just curious, you're mostly focused on kind of taking the company ahead. I wonder if there are any remaining portfolio moves just in terms of cleanup.

You've had a lot of equity interests in different business. I think you've got some assets like small paper mills out in Pennsylvania. Any more moves in just portfolio cleansing?

Jerome Peribere - *Sealed Air Corporation - President & CEO*

Actually, probably not. If we do think, they're going to be smaller ones or really non-core. So that's the way I'm thinking about it.

It might be a product line that we believe is either distracting us or it might be a given little product in a given country. The challenge I'm putting to our division leaders is that when we have something that we don't believe we can fix and is distracting us is we should that action. And the reason is that we all know that non-profitable things or non-profitable businesses or product lines are in fact taking the bulk of our time.

Carol Lowe - *Sealed Air Corporation - SVP & CFO*

And Mark, I'll add just one thing. You referenced that we have some equity investments. The Company previously has had a variety of joint ventures, small in scale or some equity investments largely around specific types of innovation. And one thing, when Jerome joined the Company and he really emphasized and we talked about it publicly is that our investments -- we were going to make sure that we could realize a good return.

And we went through a process of analyzing all of those investments and where we did not see opportunity for a fair return and we had been investing in those ventures sometimes three-plus years, we made decisions to exit. And we have exited substantially all of those equity investments that were not wholly-owned.

Jerome Peribere - *Sealed Air Corporation - President & CEO*

So the focus is on margin and profitable growth. That's where the focus is.

We know that we can fix things. So priority one is to see whether a given product line in a given country is core or non-core. If it is non-core, it's got to be disproportionately profitable. And if it's core, we have proven to ourselves then we can fix things. And if after being fixed, they are still disproportionately less profitable then we take action.

Lori Chaitman - *Sealed Air Corporation - VP of IR*

Operator, I think we have time for one more question.

Operator

Sure. Our next question comes from George Staphos with Bank of America. Please proceed.

George Staphos - *BofA Merrill Lynch - Analyst*

Hi, everyone. Thanks for taking my follow-on. I guess, Jerome, to the extent that you can in a public forum, can you size or provide a bit more qualitative commentary on what you're doing in 3PL and e-commerce in terms of what kind of impact that you have back half of 2015 and into 2016? Thank you.

Jerome Peribere - *Sealed Air Corporation - President & CEO*

So, good question, and welcome back. Ken Chrisman has been very outspoken during our Analyst Day as to where he is taking this division. And we are intervening a lot on dim weights and we are intervening a lot on helping e-commerce companies and third-party logistics to be more productive. So, on dim weight, we have fabulous solutions to create value to third-party logistics and e-commerce companies in their fulfillment operations.

And as a result of that -- and by the way, stay tuned, because we are taking actions that we're going to publish soon on those things. But there is very key that for everybody to understand that dim weights is a problem to anybody which ships something, and we have the solutions to help them there. So is this an on/off and immediate action? Not necessarily, but we're making progress every single day.

Lori Chaitman - *Sealed Air Corporation - VP of IR*

Thank you all for joining our call today. Operator, I'll pass it back to you.

Operator

This concludes today's conference. You may now disconnect. Have a great day, everyone.