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SEE - Q1 2015 Sealed Air Corp Earnings Call

EVENT DATE/TIME: APRIL 30, 2015 / 12:30PM GMT

OVERVIEW:

Co. reported 1Q15 net sales of $1.7b and adjusted EPS of $0.54. Expects 2015 net sales to be approx. $7.1b and adjusted EPS to be $2.08-2.15.

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PRESENTATION

Operator

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

(Operator Instructions)

As a reminder, this call is being recorded for replay purposes. I would like to turn the call over to Lori Chaitman, Vice President of Investor Relations. Please proceed, ma'am.

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 on form 10-Q, which you can also find on our website at sealedair.com.

We also discuss financial measures that do not conform to US GAAP. You may find important information on our use of these measures and the reconciliation to the US GAAP in the financial tables that we have included in our earnings release. Please note that we will end the call by 9:30 today.

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

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

Thank you, Lori, and good morning, everyone. At this point I'm sure that you had a chance to review our press release and earnings results for the first quarter. I have to say that I'm very pleased with our results and we had a great start-off to the year.

We stayed disciplined throughout the quarter and delivered on our objective despite heavy currency headwinds. Net sales of $1.7 billion are down 4.4%, as reported, but in constant dollars, net sales were up 3.5% compared to last year first quarter.

Each division and all regions delivered constant dollar sales growth and favorable price mix. The combination of favorable price mix and lower input costs resulted in a gross margin improvement of over 200 basis points, with strong performance in both Food Care and Product Care.

For adjusted EBITDA we delivered $284 million, up 16.3% of net sales, despite $22 million of unfavorable currency translation. This represents a 260 basis point margin improvement and in constant dollars, an increase of 22% compared to last year's performance.

Food Care delivered adjusted EBITDA of 21.7% and Product Care adjusted EBITDA was 20%. Diversey Care was hit the hardest by currency but still delivered 6% adjusted EBITDA growth on a constant dollar basis. I will leave the details on the financials and business trends to Carol and our guest executive speaker, Ken Chrisman, who is the President of our Product Care Division.

Before I pass the call to Carol and Ken, I want to highlight a few items. As we have communicated many times, we are very committed to a disciplined approach to portfolio management, with a focus on innovation and becoming a knowledge-based Company. In alignment with this strategy, in March we acquired the assets of Intellibot Robotics, a start-up US-based private company that pioneered the development of robotic commercial floor cleaning machines.

Intellibot is really the only currently selling advanced robotics floor care machines outside of the consumer market. These intelligent machines are empowered with sensors used for navigation and are also connected to the cloud for data monitoring, optimization, trouble-shooting, servicing and upgrading software.

The robotic technology is agnostic to different types of sensors, which will enable new features to be seamlessly incorporated into the platform as they come to market. The combination of Intellibot Robotics' expertise and Diversey Care's TASKI mechanical cleaning leadership will accelerate the growth of robotics and what is known as the internet of things in the floor cleaning market.

We are still at the early stages of robotics and automation in the cleaning and hygiene industry. And we're excited to bring the first team of artificial intelligence specialists from Intellibot to Sealed Air Diversey Care.

In early April we completed the sale of our North American trays and pads business, a non-core asset within our Food Care division. While we had become the global leader in the food-grade absorbent pads, this business was becoming quickly commoditized and faced significant competitive pricing pressures. The business was heading below 10% profit margin and the North American trays and pads business generated about $200 million of sales in sales in 2014 and approximately $50 million in the first quarter.

I also wanted to share two important organization decisions. First, we have decided to build and own the campus in Charlotte, North Carolina for financial reasons. After conducting extensive financial analysis, owning the campus versus signing a long-term lease made the most economical sense.

This new state of the art global headquarters will be the home of not just our three division headquarters, but also the home of our largest R&D center. The proceeds from the sales of our trays and pads business and the sale of our building in Racine will fund approximately two-thirds of this capital investment. As a result of this decision, we increased our CapEx budget from $180 million to $210 million in 2015.

Second, we made a decision effective in April that we'll realign the countries within Asia, Middle East, Africa and Turkey, which we had referred to as our AMAT region. We are also realigning the Japan, Australia and New Zealand region. And going forward, we will report metric sales of Europe, Mid East, Africa and Turkey as the EMEA region. The remaining region will include Asia, Australia, New Zealand and Japan, and will be reported as Asia-Pacific.

We believe that this realignment will increase local focus and place more accountability in the hands of regional and divisional leaders to create greater cross-selling opportunities across divisions, and especially a faster decision-making process. For today's discussion Q1 results are presented under the historic regions, as these changes are just now taking place. We'll provide you with sales trends by new region alignment at our Analyst Day on June 18 and on our July 30 second-quarter earnings call. With that let's get started with an overview of our financial results. Carol?

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

Thank you, Jerome. On slide 4 we present our performance by region for the first quarter. I will highlight sales trends on a constant dollar basis as compared to last year, unless otherwise noted.

In the first quarter, Latin America and the region comprised of Japan and Australia and New Zealand were our fastest growing regions, with constant dollar growth of 7% and 5%, respectively. On a reported basis both regions were down mid single-digits. Consent dollar growth in Latin America and Japan ANZ were driven by strength in our Food Care business with increased demand in Argentina, Mexico and Australia.

The AMAT region was up 3% in the quarter, with positive trends in India and Africa for both Food Care and Diversey Care. North America sales were up 3% compared to last year, with 3% growth in each of our divisions.

Europe was also up 3% in the quarter in constant dollars, but down 13% as reported. We delivered 7% constant dollar sales growth in the UK and 1% growth in Spain. France, Italy, Germany and Switzerland were flat to down 1%. And Holland was down in the mid single-digits.

The seven countries I just referenced accounted for approximately 20% of first-quarter consolidated sales. Russia and Poland had solid performance, with Russia delivering nearly 50% constant dollar sales growth and Poland delivering 7% growth.

Turning to slide 5, let me walk you through our net sales and adjusted EBITDA performance on a year-over-year basis. We delivered $1.7 billion in sales, an increase of 3.5% in constant dollars. And favorable currency translation had an impact on net sales of $146 million or 8%, mostly due to the declines in the euro and the Russian ruble.

Net sales on an as-reported basis were down 4.4%. Favorable price mix was 3.2% or $58 million, and volume was up slightly. Adjusted EBITDA increased 13% on a year-over-year basis to $284 million, or 16.3% of net sales. For the total Company, the increase in adjusted EBITDA was largely due to favorable mix and price cost spread of $56 million.

Cost synergies also made a positive contribution of $17 million in the quarter. SG&A and other expenses increased by $18 million, with wage inflation being our largest driver. As a reminder, our annual compensation increases occur April 1 each year.

Unfavorable currency translation had an impact on adjusted EBITDA of $22 million. We delivered a 210 basis point improvement in adjusted gross profit margin and a 260 basis point improvement in adjusted EBITDA margin compared to the prior year. On a constant currency basis, our adjusted EBITDA increased 22% as compared to last year's results.

Adjusted earnings per share for the quarter was $0.54 as compared to $0.33 in the first quarter last year. Currency negatively impacted EPS by $0.05. The tax rate for Q1 2015 was 25% as compared with 21% for Q1 2014. In the first quarter we repurchased approximately 1.4 million shares, for a total value of approximately $64 million.

As communicated on our last earnings call, our EBITDA leverage ratio target is 3.5 to 4 times. We believe this is an optimal leverage ratio for our Company. We are currently evaluating options that will enable us to increase returns to our shareholders while maintaining our target leverage.

On slide 6 we outline our price mix, volume trends and sales growth on a constant dollar basis by division and by region. As you can see, we have constant dollar sales growth and favorable price mix in every division and in every region.

This is our fourth consecutive quarter where we delivered at least 3% constant dollar sales growth, despite our global rationalization efforts. I will now turn the call over to Ken who will provide you with a more detailed review of Product Care, as well as highlight the performance of Diversey Care and Food Care. Ken?

Ken Chrisman - *Sealed Air Corporation - President of Product Care*

Thank you, Carol. Slide 7 highlights the results from our Product Care division. Before we get into the quarter, I want to briefly discuss the organizational changes we made in Product Care that we believe will accelerate growth and drive operational excellence. Effective January 1 we realigned Product Care into global performance packaging, which is approximately 40% of Product Care sales; and global general packaging, representing approximately 60% of Product Care sales.

Global performance packaging includes our differentiated proprietary platforms that focus primarily on cushioning and damage reduction, such as Instapak, automated systems, Korrvu and specialty foams. Global general packaging is derived of our more highly distributed solutions, such as our utility offerings, including bubble wrap and Cell-Aire foam; and our higher-growth offerings including mailers, inflatable bubble and paper systems.

We also formed a dedicated global sales team to focus on the rapidly expanding e-commerce marketplace and our automated systems. Our end-to-end innovative product offering combined with our packaging design expertise and global reach provides us with a significant competitive advantage across multiple industries, including e-commerce.

And with this realignment, we are confident we are well-positioned to take full advantage of future growth opportunities. One thing to keep in mind is that while we are focusing on growth opportunities, we remain committed to delivering earnings quality and our customer and product rationalization efforts are ongoing.

Let's take a look at our first-quarter performance. Net sales were up slightly in constant dollars. You can see that we had a favorable price mix of 3.4% on volumes that declined 2.3%.

Favorable price mix is a direct result of the success we've had in shifting our business to higher performance packaging and our ability to maintain our pricing discipline. The first quarter volume was impacted by rationalization efforts and general packaging in all regions.

Let's turn to adjusted EBITDA. Product care achieved adjusted EBITDA margins of 20%, or $76 million in the first quarter. Favorable price mix, lower input cost and cost synergies more than offset FX headwinds, resulting in an increase in adjusted EBITDA of 9% as compared to first-quarter 2014. In constant dollars, adjusted EBITDA increased 16%. In Product Care, we remain on track to deliver EBITDA growth and margin expansion in 2015.

Slide 8 highlights the results from our Diversey Care division. Diversey Care net sales, on a constant currency basis, were up 1.5% in the first quarter. Favorable price mix was up nearly 2%, with positive trends across all regions. Volume was relatively flat.

In constant dollars AMAT sales increased 4%, led by mid single-digit growth in China and double-digit growth in India. North America sales increased 3% on volumes that were up just over 2%, representing the fifth consecutive quarter of sales growth in North America. Sales in Latin America and Australia-New Zealand were up slightly, while Europe was essentially unchanged. In Europe, sales were up in the UK, France and Italy.

From a global end-market perspective, our strongest sectors in the quarter were building service contractors, hospitality and healthcare. In February we announced that we signed a five-year global contract with Carlson Rezidor Hotel Group, which represents a significant expansion from our previous four-year EMEA contract. For those of you who didn't see this press release, our contract with Carlson includes more than 1,300 hotels, spanning 105 countries and territories.

In addition to the Intellibot Robotics acquisition that Jerome highlighted, Diversey Care introduced a revolutionary small-sized scrubber, the TASKI 2100 Micro, equipped with IntelliTrail, a GPS-enabled remote monitoring device for TASKI machines.

Diversey Care delivered adjusted EBITDA of $41 million, or 8.8% of net sales in the quarter. As we anticipated, currency translation negatively impacted our performance in the quarter. Excluding FX, adjusted EBITDA was up 6% compared to last year. Also, it's important to note that while top line was flat in Europe we had record level EBITDA margins in this region.

Aside from FX, we also continued to invest in R&D and sales and marketing to drive future growth which offset the margin improvements we delivered in Europe. With that said, we continue to estimate constant dollar EBITDA growth and margin expansion for the full year.

On slide 9 we highlight results for our Food Care division, which had an outstanding quarter. If the first quarter Food Care sales increased 5.8% in constant dollars, with favorable price mix of 3.8% and volume growth of 2%.

Our fastest growing countries in constant dollars were Australia, the UK, Russia, Mexico and Argentina, which all delivered double-digit growth. Developing regions, which include Latin America, AMAT and Eastern European countries, were up 15%, with Latin America up 12% and AMAT up 5%. Europe and JANZ were both up 7% and North America a was up 3%.

Price mix was favorable in every region except for AMAT, which declined slightly due to unfavorable mix. For volume, we had positive trends in every region except for Latin America, due to pricing adjustments and response to currency devaluations.

In Europe we outperformed the protein market, which was up in the low single-digits, due to a more favorable mix driven be demand for our new products and continued pricing discipline. We also had double-digit growth in equipment solution sales in the quarter.

In North America, our sales were up in thing single-digits despite cattle production being down nearly 6%. Despite unfavorable market trends in cattle, we still experienced increased demand in fresh red meat due to the adoption of new products and our continued focus on value selling. For the remainder of the year we expect the beef market to continue to decline, but at a decelerating rate than what we have been experiencing over the last six to nine months.

We also experienced strong sales in smoked and processed meats and poultry. Both markets were up approximately 4% to 5% in the quarter. While we expect these trends to continue in pork, we are closely monitoring the poultry market due to the recent outbreak of avian influenza.

From a product perspective, I want to highlight that during the first quarter our Darfresh Entree package received the highest achievement award from the Flexible Packaging Association's 59th Annual Awards and Innovation Showcase. Darfresh Entree improves product visibility and extends shelf life for the consumers and retailers, while processors benefit from sustainable operational efficiency improvements and throughput, and up to 40% reduction in top film with no materials scrap.

Turning to Food Care's adjusted EBITDA performance, Food Care delivered adjusted EBITDA of $191 million or 21.7% of net sales, an increase of 20% as compared to last year. This increase was largely a result of an improved mix of premium products, pricing initiatives and cost synergies.

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Going forward in 2015, we expect to continue to benefit from further adoption of our new products and continued focus on value selling, which will be offset partially by currency headwinds and formula pricing. I will note, however, that we are well on track to deliver adjusted EBITDA growth and margin expansion. Now let me pass the call back to Carol to review our cash flow and outlook. Carol?

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

Thank you, Ken. Turning to slide 10, free cash flow was a source of $63 million for the first three months of the year, excluding the $235 million tax refund received related to the Grace settlement. This compares favorably to a use of $31 million in the three 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 March 31, 2015, the average for operating working capital as a percent of net sales was 16%. This represents a 230 basis point improvement compared to March 31, 2014. CapEx was $21 million and cash restructuring costs were $22 million for the three months of Q1 2015.

Our updated outlook for 2015 is reflected on slide 11. We now expect net sales to be approximately $7.1 billion, as compared to our previously provided guidance of $7.4 billion. Unfavorable currency is expected to be approximately 9% or nearly $700 million, as compared to our previous guidance of approximately 7% or $550 million. Our current outlook assumes a euro rate of $1.10.

Additionally, our previous outlook included approximately $200 million in sales for the trays and pads business. This disposition does not qualify under the accounting rules for treatment as discontinued operations. Therefore, prior years and Q1 2015 will continue to include North America trays and pads, but we'll have no benefit from this business going forward.

Excluding the impact of the divestiture and currency headwinds, we anticipate an organic growth of approximately 3%. This compares to our previous guidance of approximately 2.5%.

Adjusted EBITDA is now expected to be in the range of $1.14 billion to $1.16 billion, which compares to our previous guidance of $1.15 billion to $1.18 billion. This reflects a slight reduction for the removal of the trays and pads business, as well as the increased FX headwinds.

Currency is now estimated to have a negative impact on adjusted EBITDA of approximately $100 million, as compared to our previous forecast of approximately $80 million. If you exclude the FX headwinds and $15 million impact of the divestiture of our trays and pads business, adjusted EBITDA guidance would have been above the high end of our previous range.

Adjusted earnings per share is expected to be in the range of $2.08 to $2.15, as compared to 2014 adjusted earnings per share of $1.86. Currency is expected to negatively impact earnings per share by approximately $0.35. Our constant currency earnings per share would be approximately $2.43 to $2.50.

Our interest expense for 2015 is now expected to be $245 million, as compared to our previous forecast of $255 million. We anticipate our tax rate to be approximately 25% in 2015.

We are revising our free cash flow guidance to $575 million from $600 million to reflect the lower adjusted EBITDA forecast and higher CapEx, partially offset by lower cash interest payments. Free cash flow outlook also excludes the $235 million tax refund we received during the first quarter related to the Grace settlement.

As Jerome mentioned, owning the campus in Charlotte instead of signing a long-term lease is the right economic decision. The decision has led to an increase in our CapEx budget to $210 million from our original forecast of $180 million, of which approximately $75 million is related to these restructuring activities.

While the proceeds from the sale of the trays and pads business and the sale of our Racine facility are not part of free cash flow, they have in fact resulted in cash receipts. These proceeds will be reflected in investing activities on our cash flow statement, which sits below free cash flow.

During the quarter we entered into a cross-currency swap for US-based debt to euro denominated, increasing our euro base debt exposure to 14% from the previous 4% level. This transaction, combined with higher cash balances, reduces our cash interest payment to $240 million for the year as compared to our previous expectations of $255 million.

Other key elements of our free cash flow have not changed. Cash restructuring costs, excluding restructuring CapEx, are still expected to be $120 million. We are on track to recognize $50 million in cost synergies in 2015 from our restructuring efforts.

This concludes my prepared remarks. But before I open the call to questions, I would like to remind you that our second-quarter earnings call is tentatively scheduled for Thursday, July 30 at 8.30 AM. We are also hosting our Analyst Day on Thursday, June 18, in New York City. I look forward to seeing you at our Analyst Day and to speaking with you again in the future. With that, operator, can you please open up the call for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

George Staphos, Bank of America.

George Staphos - *BofA Merrill Lynch - Analyst*

Thanks for the presentation, the details. My question, Jerome, would be on Diversey Care and the progress you think it's making, particularly whether you think you'll be able to sustain both volume growth and margin improvement in the future. Which regions are you having the most difficulty doing that now? Thanks and I'll turn it over.

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

Thanks, George, very good question. First, we all know that with the size of our business outside of the US in Diversey Care, this is the division which is most hurt by currency. We had a 9% negative translation in the first quarter at the sales level, which is $45 million. Obviously this has been hurt most.

The highlights of the Diversey Care for the quarter are that we're sustaining now and accelerating our growth in the US. You have seen a 4% sales growth, which is really good. And we are continuing to make inroads in that important and large market.

Our hospitality market globally has been very strong, with double-digit growth. And our healthcare market in North America has been very, very strong.

Where we have right now short-term difficulties is probably in Russia and in some parts of the Middle East because the Russians were traveling a lot and were spending a lot in hospitality. Given the local political and economic situation, you have a little bit of reduction of that, which is affecting Dubai, for example, and affecting also tourism within Russia. This is short term, because we believe it is going to be turning around.

With regards to China, the first quarter we had middle-digit growth, middle single-digit growth in Diversey Care in China. This is a little bit of a disappointment because we're used to double-digit growth. But this is mostly coming from the fact that the new hotel openings, because of the real estate crisis in China, has been much slower than in the past.

We are growing nicely in restaurants and quick service with local chains. Some international chains have been hurt in the recent past, but we also expect that this is going to get much better.

Brazil is a region where the whole Company and the result of the whole economy has been hurt, including Diversey Care. Again, you know the economic environment there and the very strong devaluations.

All of those things, nevertheless, make me very positive. We had 6% EBITDA growth in constant currency in Diversey Care. We have lots of innovation. The Intellibot, which is a start-up, is not going to impact sales, but it is going to have a mid-term tremendous benefit on our business. We are growing where we really want to grow. Hospitality, healthcare and so on, are very important segments for us.

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

Operator, next question, please.

Operator

John McNulty, CS.

John McNulty - *Credit Suisse - Analyst*

Our question to start out, is really around resin. I think there was a lot of concerns that with resin prices or oil falling, you might have to start giving back price. And it looks like in the quarter that really wasn't much of an issue. Now we're already starting to see resin push back higher in some cases.

Can you walk us through how the conversations with customers are progressing around that topic? And also how to think about the price versus raw material mix going forward over the next couple of quarters? Thank you.

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

Let me start with that one, John, and good morning. You have seen what we've been doing on price mix in the divisions, which are quite exposed to resins, which are Food Care and Product Care. In Food Care, we've done 2.8% price mix in the first quarter.

The very bulk of it, the very large majority of this 2.8% is price. You have seen what we have done in Product Care and we've been doing 3.4% in the whole -- sorry -- I made a mistake. In North America in Food Care we had a price mix of 2.8%. In the total Company we had a price mix for Food Care globally of 3.8%. Again, the very large majority is in price. In Product Care, globally 3.4%, in North America it's 4.2%.

So we are very active on price. And the reason is that, I keep on saying, and our customers accept that when we talk, have good conversations on the value we create, is that in most of the cases, our packaging costs, be in Product Care or be in Food Care, have a negative cost. What I mean by negative cost is that the cost of damage coming from eggs of products being broken in Product Care. Or the cost of shelf of food waste as a result of shelf-life, et cetera, is much higher than the cost of the packaging.

As a result of that, it is not about reusing the costs of our package by $0.01, $0.02, et cetera. It's about reducing the food waste and reducing the damage. These are the serious conversations that we're having with our customers which allow us to price for value. And this is extremely important there. Maybe Ken can add something here or give some color.

Ken Chrisman - *Sealed Air Corporation - President of Product Care*

Thanks, Jerome. From a product care perspective, we saw 4.2% growth price mix in North America, Q1. That's really a result of great pricing discipline on our general packaging side of our business.

As Jerome highlighted, dim weight is coming into play in North America in a way that it had not previously. Our ability to be able to communicate the value of our packaging is taking, is diminishing a lot of pressure about price. There's some pressure on price, but we've been able to address that by communicating clearly our value.

We also see a very favorable mix shift, as we spent time working in the direction of higher performance solutions and our performance package portfolio. So that combination has worked favorably for us if Q1, and we expect that working as we go forward.

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

Operator, next question, please.

Operator

Al Kabili, Macquarie.

Al Kabili - *Macquarie Research Equities - Analyst*

I wanted to follow up on John's previous question. Maybe, Ken, to you, on the Product Care side, it seems like there's some pretty sizeable recent resin inflation in Europe, which has historically been one of the tougher product care areas to operate. I wanted to see how you felt you were equipped to handle that. And then offhand, if you could, within the 2% volume decline, how the performance packaging performed. Thanks.

Ken Chrisman - *Sealed Air Corporation - President of Product Care*

Thanks for that question. In the first quarter we saw overall price mix growth in Europe of 2.4%, unlike North America where much of that was in price. In Europe, much of it was really in mix, so a lot of movement.

We do expect our price to continue to see improvement in Europe. But the mix, the up-selling, the selling value, is really where we're seeing benefits in our European business. So our profitability is growing there very rapidly.

We're still going through some customer and product rationalization in general packaging. But overall, the effect of some new products and a favorable mix is driving success for us in Europe.

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

Operator, next question, please.

Operator

Ghansham Panjabi, Robert W. Baird.

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

Good morning. I look forward to seeing the robots in action at the analyst meeting. (laughter)

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

You will.

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

My question is, given all the changes in your portfolio over the past three years, asset sales, customer rationalization initiatives, et cetera, can you give us an updated sense as to how to think about your current volume baseline versus what you think are normalized levels across each of your segments? Maybe we could start with protective packaging, given your guest speaker there.

Ken Chrisman - *Sealed Air Corporation - President of Product Care*

We think about our volume, what is working right now, and that's a great question. The new products, the investments that we're making in our business across board in innovation, are where we expect to see our growth coming from. As we are disciplined in price, we're seeing sales growth that way.

We're now starting to see how we're going to be able to secure ongoing volume growth. It's because of new products. It's because of the portfolio we have, the most robust product portfolio of new products in performance packaging and product care that we have ever seen. And we do expect that to drive our portfolio going forward.

Also the dedicated sales team in e-commerce is also a significant driver. As we look at markets, the biggest change in product care is a de-emphasis of product and an emphasis on markets. When we look at e-commerce, third party logistics and electronics, we're putting more effort and resource in those spaces and they're growing faster than the market.

We also say this affects the volume trends we're reporting. But it's important to note that excluding the rationalization efforts, we're experiencing healthy single-digit volume growth.

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

On the Food Care side we have had a very nice volume growth in the first quarter. Interestingly enough, this is as a result also of Australia, which saw our sales growth at about 12% in the first quarter.

But this is not sustainable. The kill rate of capital is extremely high at this point in time. Over the coming quarters, this rate is going to have to go down, and so this will slightly affect our sales in there.

But generally speaking, we are happy with the chicken market in North America, it's been doing very well. And we had very nice growth, but we also had a lot of new products. We have Darfresh Entree, which has been launched extremely successfully in Europe, which is going to be launched in the second quarter in North America.

We have our Optidur line in Europe, which has been launched. And we're going to also accelerate our -- we're going to ramp up in the US soon. We had very nice volume market penetration in Russia in a very difficult environment, and Eastern Europe also.

So we're quite happy about this. But altogether, we are expecting to see towards the latter part of the year, it'll be a volume increase compared to what we have today.

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

Operator, next question, please.

Operator

Chip Dillon, Vertical Research Partners.

James Armstrong - *Vertical Research Partners - Analyst*

Good morning, it's James Armstrong for Chip. My question is on the CapEx. According to slide 11, it's up about $30 million. Could you help us with the total cost of the Charlotte campus and how this spending will flow? And offsetting that, what are the proceeds of the Racine, Wisconsin building sale? And also the trays-pads business?

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

We're not going to disclose the trays-pads business at this time. We'll disclose it in our cash flow statement. You will see it in Q2. We have an agreement with the buyer in terms of what the disclosures will be.

As it relates to the Racine facility, you will see details in the cash flow statement that it's approximately $25 million. So that is broken out. There's some additional amount that may be added to that, that are in escrow, when we vacate the building later this year. But it's approximately $25 million.

In terms of the total value for the Charlotte campus, it's estimated approximately around $120 million, with part of that being paid in 2015 and the remainder will be paid in 2016.

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

Operator, next question, please.

Operator

Philip Ng, Jefferies.

Alex Hutter - *Jefferies LLC - Analyst*

Good morning, congratulations on a good quarter. This is Alex Hutter on for Phil. In Product Care, can you talk about the margin differential in general versus performance and help us quantify that? And then how do you see that progressing with the 60%-40% split you talked about as you move toward your longer-term margin goals?

Ken Chrisman - *Sealed Air Corporation - President of Product Care*

Great question. I will say that performance packaging has better margin performance than general packaging, which is why we're emphasizing that space. We are putting more resource into our performance packaging business across the globe to drive its growth. And we are working on rationalizing our general packaging business to ensure that we have the right total cost -- we have the best cost to serve in that market space.

I'd also say, with this strategy we're able to focus on critical growth sectors in e-commerce, 3PL and electronics. Some of that does lift general packaging, but it lifts the growth part of general packaging, as our system solutions, paper systems, inflatable bubble, are higher-value systems in general packaging.

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

Operator, next question, please.

Operator

Chris Manuel, Wells Fargo.

Unidentified Participant - - *Analyst*

This is actually Gabon. Carol, I guess this question would be for you, housekeeping with respect to CapEx. How much in the CapEx guidance is reflected, or for the new Charlotte facility? And then if I subtract out the $75 million of restructuring spend that's embedded in the $210 million, I'm coming up with $105 million.

What is maintenance CapEx? And then implicit in that would be return-oriented capital, and can you tell us where you are spending some of those dollars, by reason or product line?

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

Yes, thank you, Gabe. So basically the increase in CapEx to go from our previous $180 million to $210 million, that's all being driven by the new campus in Charlotte. So that's approximately the spend for 2015.

I would like to note that one of the reasons that the decision makes sense from an economic standpoint is what Jerome emphasized, that the campus includes our largest R&D center. The cost for an R&D center as compared to a regular office building, it's significantly different. It's more than twice the cost.

We will reap the value of this investment, but it makes it's difficult when you come to trying to do what we be a triple net lease or standard lease. No lessor is going to want to finance that, because it's not necessarily transferable to somebody else if you vacated the building.

So the cost we would have paid on a net lease basis would have been significantly higher than our cash costs, even with an interest burden. And at the end of the lease period, we would end up owning nothing, whereas we'll own this asset. And it will be very valuable for our future as a Company to attract talent and to support innovation and growth for the Company.

With respect to maintenance CapEx, it really runs less, slightly under $100 million. So everything that you're seeing this year, between that $100 million to $180 million, including restructuring investments, has a very positive return for the Company.

So some of the focus above and beyond the maintenance CapEx, we obviously are always investing to improve the quality of our products. We're investing in capital that helps us with our innovation, such as producing the Darfresh Entree. We also are investing to make sure our assets are located in the right regions where we have growth.

So we have said that we expect our growth to be disproportionately higher in our developing regions. So such as Asia-Pacific and Eastern Europe as well as in Latin America. That's where a lot of focus for our investments are headed.

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

Operator, next question, please.

Operator

Mark Wilde, BMO Capital Markets.

Mark Wilde - *BMO Capital Markets - Analyst*

Good morning. I'm curious, Carol, following on that CapEx, as growth continues to accelerate offshore and in some of those emerging markets, are you going to need to increase the capital budget to fund that growth on new sites?

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

Thank you, Mark, and good morning. Actually, no. We've always said we expect our capital to run somewhere around $200 million a year, giving us plenty of room for maintenance CapEx, quality investment, as well as innovation investment. And we don't really expect that to change.

For next year we'll have higher CapEx because of the restructuring that we have communicated on, which also will include the remainder for the Charlotte campus. But we feel like that $200 million, based on the current business, is plenty to fund us.

And actually, if you look at our spend trend, we typically fall well below that, absent any restructuring spend, and have very healthy investments from an innovation standpoint. As a reminder, the Diversey Care business is very low on capital intensity.

Also, if you look at our investment requirements for CapEx relative to a lot of our peers, we have a much lower requirement for investment of our total operating costs relative to our peers. Yet we produced some of the highest returns in the industry. So in terms of getting the value out of our capital, I would put us at the very top of the list.

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

Operator, next question, please.

Operator

Alex Ovshey, Goldman Sachs.

Alex Ovshey - *Goldman Sachs - Analyst*

Good morning.

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

Good morning, Alex.

Alex Ovshey - *Goldman Sachs - Analyst*

Hey, Jerome. A couple of questions, if you have not touched on this before. One, can you tell us what the EBITDA was for the trays business that was sold?

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

Alex, what we have shared is that Jerome noted early on in his comments at the beginning of the call, that the business was facing a lot of competitive pricing pressure, had quickly becoming commoditized because of certain low-value entrants into the marketplace. The business was on track to head below 10% fully burdened EBITDA margin.

It had performed higher than that in the past. What we shared in terms of our guidance is that removing the pads and trays business has resulted in a reduction of our EBITDA estimates, our adjusted EBITDA estimates, for the full year of about $15 million.

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

The reason for this disposition is fairly obvious. That's not the kind of Company I want to have, or portfolio I want to have. If you produce those trays, you have to have state of the art manufacturing equipment, which we didn't have. And you have to have a very lean Company with no R&D and with no service.

That's not who we are. We are fastly moving towards becoming a knowledge-based Company which is selling value. And this is why, interestingly enough, you are seeing the same quarter, you are seeing a disposition of a commodity product and an acquisition of a technology. You are going to see the same trend in terms of acquisitions in the future, start-ups or specific technologies, which are going to help us become who we want to become.

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

Operator, next question, please.

Operator

Anthony Pettinari, Citi.

Anthony Pettinari - *Citigroup - Analyst*

A follow-up for Ken, referencing the dedicated e-commerce sales force. I was wondering if it's possible to give any color in terms of the level of growth you are seeing in e-commerce.

To ask the question another way, I think at the Analyst Day you said e-commerce was about 12% of segment sales. With the growth that you have been seeing there and the rationalizations in general use packaging, is there a way to size what percentage of Product Care could be e-commerce in the next couple of years?

Ken Chrisman - *Sealed Air Corporation - President of Product Care*

Anthony, that's a great question. We're working on determining exactly how big e-commerce is. We're having a bit of a challenge making sure we define it properly. A lot of people claim they are e-commerce that aren't. We're looking for things like value-added warehouse and distribution companies that are doing fulfillment where they can take advantage of our small-parcel packaging solutions.

We've put dedicated resources in North America, Europe and China, specifically in e-commerce because it's growing so fast. But not just growing fast, what we're seeing is it's becoming more sophisticated. The requirements for packaging used to just be the lowest cost packaging is all they need. Now it really is becoming an extension of the retail experience.

So that's why we're putting more resource in this space. It's growing faster than the underlying market, so it deserves consideration from that standpoint. But now that market, e-commerce, is maturing to the point where our value story and our performance packaging solutions are stating to resonate in a way that historically we had some challenge getting some traction. So that's why we're putting dedicated resource, significant amount of resource, specifically into this market effort.

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

Operator, I believe we have time for one more question, please.

Operator

Brian [Lalli], Barclays.

Brian Lalli - *Barclays Capital - Analyst*

Good morning, everyone, thanks for fitting me in. Two-part question. You, in your cash flow statement, showed that you bought $69 million of shares through the quarter end. I believe this leaves you with about $20 million of capacity for the rest of the year.

One, at this pace, is it safe to assume you have exhausted most of this remaining capacity in April? And then secondly, does finally reaching the point of having limited capacity for buybacks change your thoughts around the cost of refinancing those higher-cost notes?

Again (technical difficulty) September, I think, of next year. And then How does the Board weigh the cost of this versus potentially the delayed opportunity to deploy that excess cash and keep leverage between 3.5 to 4. That's all for me, thanks, guys.

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

Thank you, Brian. At this point, we have used just about all of our restricted payment baskets. As I noted in my prepared remarks, we're committed to this 3.5 to 4 times leverage target. We feel like it's the optimal level. Based then on out cash flow guidance and our strong cash flow producing capabilities, we will be looking for options to return value to shareholders.

As we have shared in the past, we look at a net present value impact in terms of refinancing. And when we get within probably a 50 basis point differential, knowing that interest rates can move one way or another, we will take a slightly negative impact. Rates have been very attractive, so we are looking more frequently at our opportunities to be able to return value to shareholders.

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

Thank you, everyone, for joining our call today. Operator, I'll pass the call back to you now.

Operator

Thank you for your participation in today's call. This concludes the presentation. You may now disconnect. Have a good day. [Event Concluded]
