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SEE - Q1 2012 Sealed Air Earnings Conference Call

EVENT DATE/TIME: MAY 03, 2012 / 2:00PM GMT

OVERVIEW:

SEE reported 1Q12 reported sales of \$1.92b, adjusted EBITDA of \$236m and loss per share of \$0.03. 1Q12 adjusted EPS, excluding impact of special items, was \$0.18. Expects 2012 sales of approx. \$8.2-8.3b.



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PRESENTATION

Operator

Good morning, everyone, and welcome to the Sealed Air conference call discussing Company's first quarter 2012 results. This call is being recorded. Leading the call today we have William V. Hickey, President and Chief Executive Officer, and Tod S. Christie, Treasurer and Interim Chief Financial Officer. After management's prepared comments, they will be taking questions.

(Operator Instructions)

Now at this time, I would like to turn the call over to Amanda Butler, Executive Director of Investor Relations. Please go ahead, Miss Butler.

Amanda Butler - *Sealed Air Corporation - Executive Director of IR*

Thank you, and good morning, everyone.

Before we begin our call today, 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, and these statements are made fully on information that is now available to us. And, we encourage you to review the information in the section entitled forward-looking statements in our earnings release, which applies to this call as well. Additionally, our future performance may be different due to a number of factors, and many of these factors are listed in our most recent annual report on Form 10-K, which you can 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 their reconciliation to US GAAP in the financial tables that we have included in our earnings release. And lastly, we have reviewed pro forma results for certain metrics in the first quarter to aid in the comparison of our performance to historical combined metrics of Sealed Air and Diversey. These pro forma results are also available supplements in our earnings release, which also can be found on our website.

And now, I'll turn the call over to Bill Hickey, our CEO. Bill?

William Hickey - *Sealed Air Corporation - President, CEO*

Thank you, Amanda, and good morning to everyone on the call.

During this morning's call I'll try to give our update on our progress in achieving our full-year 2012 targets and highlights of our sales performance through the first quarter. Tod will then follow me with additional detail on the financial results, liquidity measures, and key balance sheet items. We will then follow that with opportunities for questions from both the callers on the telephone lines, as well as our webcast participants, who are invited to text in any questions you might have.

Our first quarter ought to demonstrate to you our focus on 2012 objectives of integrating the Diversey business, achieving our adjusted EBITDA goals, and on reducing our debt. We are realizing higher synergies as a result of the outstanding progress our teams have made in transitioning the organization into three new businesses, which will be leveraging a shared platform of functional support including, optimized global supply chain network, as well as an integrated and shared R&D, HR, and information technology functions, among others. Additionally, we have increased the size of the overall benefits of the program in 2012, as well as through 2014, as our integrations teams continue to finalize the details of their respective programs. These cost synergies, combined with a focus and execution on core business plans, organic growth in all segments and regions drove first quarter EBITDA results that are pacing within our plan and are still in line for us to achieve our 2012 targets for adjusted EBITDA, free cash flow, net debt and our adjusted and cash earnings per share guidance ranges.

Let me take a minute to look at some of the key metrics that we are following. In the quarter, we achieved an adjusted EBITDA of \$236 million, or about 12.3% adjusted EBITDA margin for the quarter. This represents steady performance on a dollar and margin basis versus pro forma results in the first quarter of 2011, even though market conditions and input costs have become more challenging in the first quarter of 2012. We are also comfortable with our free cash flow and net debt outlook and continue to expect to generate \$450 million to \$475 million of free cash flow in 2012. Tod will discuss additional details on our cash flow after my comments.

Lastly, we prepaid \$31 million of our outstanding term loans in the quarter, staying a year ahead on our payment installments and remaining committed on using cash to pay down debt. Looking at earnings per share, we did report a loss of \$0.03 per share in the quarter, but that did include the impact of \$0.21 of special items, including integration costs and restructuring costs. Excluding the impact of the special items, adjusted earnings per share was \$0.18, and of course, that does include the effect of purchase price amortization, which on an after-tax basis is approximately \$0.11 per share. Reported sales for the quarter were \$1.92 billion, reflecting a 4% increase in constant dollar sales from our legacy Sealed Air business, 2% of that came from higher price and 2% of that came from higher volumes. I'm particularly pleased that we were able to report positive volume in all of our businesses in what many industry peers have not been able to do.

On a pro forma basis, sales increased 1%, or approximately 3% on a constant dollar basis, as currency was a headwind for us in the quarter. All regions reported growth with 2% constant dollar sales in North America, 1% growth in the EMEA region, and developing regions achieved a 9% growth with solid performance in Latin America, Southeast Asia, India and the Middle East which includes Turkey, Egypt, and the UAE. Our volume growth reflected our ability to hold or expand our market presence in each of our businesses and largely perform above industry and customer production rates, as our market-facing teams continued to execute on their growth programs. These include achieving our targeted top line synergies, where we have achieved just under \$10 million to date on an annual rate, but we are tracking above plan, as we only expected top line synergies to materialize in the second quarter and beyond.

Although still early and ahead of plan, our food and beverage team has already signed over 10 customers, that includes large multinationals and local regional food processors in four regions of the world. Of note, volume growth in Protective Packaging North America was quite strong due



to the innovative solutions, new growth programs, and equipment sales that served a strong e-commerce sector and more modest growth in the core industrial sector. Diversey also had strong pockets of growth, most notably in the developing regions of the world and in growth programs targeting expanded presence in key global accounts. TASKI brand floor care innovations was a particular note in the quarter, as we expanded that line into Asia.

We also succeeded in nearly doubling our sales through our new partner alliances with Cintas, Staples and GE Water. Although starting off on a small base, this pace suggests a solid start to our second year with our new strategic partners. Additionally, our Food Packaging and Food Solutions segments are showing strong resilience, despite low to modest customer production rates. And, we've done that with ongoing innovation in new products and a continuing 9% increase in case-ready and an 8% increase in fluid packaging solutions on a global basis. Looking specifically at the Diversey segment on a pro forma basis, we achieved 1% constant dollar sales growth from 3% higher pricing and 2% lower volumes in the quarter, a trend that is slightly better than fourth quarter results and suggests a stabilization in Europe. The Diversey segment exhibited particular strength in a number of areas as 85% of Diversey's revenue base did demonstrate 2% to 3% constant dollar sales growth on a global basis, and these same areas of the business also achieved approximately 10% to 20% growth in the developing regions of the world.

The sectors showing the strength include the distribution channel, food and beverage, food service, and lodging and laundry. As an example, food service grew 3% globally and 20% in developing parts of the world. Food and beverage grew 2% globally and 10% in the core developing region of the world, including Southeast Asia, India, the Middle East, Turkey, and Africa.

Regional highlights include a 6% constant dollar sales growth rate in Asia-Pacific and 8% growth rate in Latin America, where in particular in Latin America, we achieved a 20% growth in retail and a 30% growth in the food service sector. Clearly, there were some offsets to these solid gains, and the areas of weakness reflect the ongoing challenge in the EMEA region, primarily due to economic weakness in Europe, which makes up about 80% of our EMEA region. The sectors, though, showing the greatest strength were the building service contractor segment at 2%, the food and beverage sector and the distribution channel which both grew at 3%, and the laundry and lodging sector at 6%. Food service held steady year over year, but we expect improvement in the second quarter.

The positive growth in these regions and these sectors was definitely impacted by weaknesses in the sectors that we noted in the fourth quarter. The education and government sector, which has been impacted by austerity measures in several governments across Europe, lower volume in license consumer brands in Europe, which we sell to big box stores and distribution, and in retail and health care. Unique to the first quarter was a significant volume decline in North America, specifically due to a shift in timing of two custom orders in the first quarter. These were very specific cases which impacted the first quarter, but will normalize later in Q2. North American volumes on the Diversey side were also modestly impacted by one food and beverage customer's closing of their facilities related to the media concerns associated with lean finely textured beef, and we are currently not expecting that customer to come back onto manufacturing in 2012 and will probably continue to unfavorably impact North American volumes for the balance of the year.

Across all of our business, price mix was a solid contributor, with all businesses generating positive price in the quarter from prior actions taken in 2011 and all businesses achieved positive price cost spread in the quarter. Our businesses have pursued additional pricing actions in Q1, and some going into effect in Q2, but many of those benefits will not be realized until late in the second quarter. These pricing actions seek to continue to recover residual 2011 higher costs and our ongoing assumption of additional raw material inflation of 3% to 5% in 2012. In the first quarter, raw material inflation ran slightly below that range, due to favorable supply demand in the industry; however, higher raw material prices did go into effect at the end of the first quarter, and we expect to see that impact in the second quarter.

Looking specifically at pricing performance in the Diversey business in the quarter, the team successfully generated pricing benefits that exceeded first quarter material costs and recovery costs from the fourth quarter of 2011. However, this benefit was offset at the operating profit line from unfavorable product mix and lower product volume. The mix effect was primarily due to lower volumes in the quarter from Europe, particularly from more favorable product applications such as floor care. As noted earlier, we implemented incremental pricing actions in the first quarter, which we expect to realize the benefits of in the latter portion of the second quarter. Additionally, peak seasonal volumes in the second quarter, with a sales mix of approximately 26%, are expected to offset some of the unfavorable mix going forward, as should the higher use of certain, more favorable, products through the summer and autumn months. For example, floor care products are more heavily bought in the summer for school refurbishing during the summer break and in early third quarter for retail stores prepping for holiday season traffic.



Looking ahead to the balance of the year, we are confident we are executing solidly on our core objectives of integrating the Diversey business, achieving our synergies, and reducing our debt. We also will continue to rebuild credibility with our customers, both locally and globally, through innovative solutions and expanding our developing region reach. We are excited that our new organizational design and synergy opportunities are being achieved at an accelerated rate, and the vision for Sealed Air is beginning to resonate with our customers. Our businesses and teams are very engaged in not only finalizing their new organizations, but staying focused on our customers and expanding our market presence through leading market-facing teams, and a global footprint, and an innovation pipeline, and growth programs. A simple example of this is in our North American Food and Beverage business, which is transitioning into a new business unit with Diversey, was also able to launch four new products in the first quarter and were recognized with an achievement award by the Flexible Packaging Association at the same time.

I am proud to say that our Food and Beverage business is not unique, as each of our businesses has developed an extensive portfolio of opportunities through our core R&D efforts. We have been working aggressively in the last six months calling on our target customers, piloting new products, and engaging in a number of bids to incorporate Sealed Air into our customers' operations. Although these efforts are not in our first quarter results, we are seeing a strong pipeline that compliments our core business and a stronger road map for our business leaders, as our customers clearly want alternatives to the status quo. What is also exciting is that just over 180 days post-close, customers will see our Food and Beverage and Institutional Laundry teams as one organization at the National Restaurant Association, which convenes over the weekend. Here we will outline to food processors and food service organizations how they can leverage our unique position to protect, enhance, and differentiate their products and their operations with a unique portfolio of solutions that encompass product protection, food and workplace safety, sustainability and operating efficiency. At the National Restaurant Show, we were featuring a number of new Diversey and Cryovac branded food-oriented solutions that include cleaning and hygiene solutions designed to address worker safety, productivity, and sustainability through dosing and dispensing control systems, a hand care system, as well as ovenable packaging and a pre-plated, ready meal, microwavable solution.

While we are encouraged by our progress to date and are tracking close to plan in the first quarter, we are cautious on the macroeconomic outlook for the balance of the year and are maintaining our current adjusted EBITDA, free cash flow, and net debt targets as well as our adjusted and cash EPS ranges. Although our synergies are higher than anticipated and our tax rate is more favorable than expected, any possible upside to our results, if economic conditions improve because of the near-term macro uncertainties in Europe, we are holding to our initial range. Moving past the seasonally low first quarter, we expect sales, adjusted EBITDA, and earnings to be more pronounced in the second half of the year, accelerated from improving seasonal trends, higher price benefits, and a flow-through of the higher level of our cost synergies. In April our business appeared to be generally trending to first quarter organic sales results, which sets our expectations for approximately a 3% to 4% constant dollar growth in our two food businesses, a 4% to 5% growth in protective packaging, and approximately 3% constant dollar growth in the Diversey business. This is slightly lower than initially anticipated and largely reflects uncertainty in the economic outlook. These top line assumptions continue to produce a full-year sales range of approximately \$8.2 billion to \$8.3 billion, and we are more comfortable at the lower end of this range.

Now at this time, I'll pass the call over to Tod Christie, our Treasurer and Interim CFO, to discuss first quarter financial results and the integration program in more detail.

Tod Christie - *Sealed Air Corporation - Treasurer, Interim CFO*

Thanks, Bill, and good morning, everyone. I'll provide some additional details on our first quarter results, and then I'll also address details of key balance sheet, free cash flow, and liquidity items.

As you may have seen in our press release, our adjusted EBITDA was \$236 million in the first quarter, which was even with pro forma results for the first quarter of 2011 and pacing within our plan. In our supplemental tables that are attached to the press release, we have provided adjusted operating profit plus depreciation and amortization at the segment level, which provides a reasonable approximation of each segment's contribution to adjusted EBITDA. Looking at these results, we achieved improved performance on both an absolute dollar and margin basis in our food and protective segments, as a result of higher sales and increased operating profits. Together these segments improved their year over year performance by 10%, or \$15 million. On a pro forma basis, Diversey's performance declined by \$16 million to \$50 million, as a result of lower volumes and mix which Bill noted a few minutes ago, factors that we expect will improve as the year progresses.

Now, I'd like to turn your attention to free cash flow and liquidity items. Free cash flow is \$30 million in the first quarter and was \$26 million lower than the first quarter of 2011, due to an increase in interest payments and higher capital expenditures to support our larger business. Changes in working capital items resulted in the net use of cash of \$35 million in the quarter, as we increased inventories in preparations for the startup of our European principal company structure and experienced our normal seasonal build in other regions and businesses. Receivables generated \$56 million of cash in the quarter, as a result of lower sequential sales. I'm pleased to note that our receivables portfolio continued to perform well in spite of the economic challenges in Europe. Cash and cash equivalents were \$530 million at March 31, down \$184 million from December 31, 2011.

In addition to being our seasonal low quarter from an operational standpoint, the first quarter is typically characterized by above average disbursements. During the quarter, we paid \$116 million of interest, more than one-third of the total \$320 million that we anticipate paying during the year. We also paid \$55 million under long-term and annual incentive competition plans, \$31 million for our first quarter 2013 term loan prepayments, \$26 million to pay our restructuring obligations under our Integration and Optimization Program, and \$25 million for our quarterly dividends. As we noted in the press release today, we continue to target 2012 annual free cash flow of \$450 million to \$475 million. We expect the free cash flow will improve over the balance of the year, particularly in the second half, through a combination of improved operating performance, normal seasonal business trends, realization of additional cash benefits through achievement of our synergies, and continued focus on working capital improvements.

As of March 31, we had total cash and committed liquidity of \$1.3 billion. Our net debt was \$5.3 billion at March 31, reflecting normal seasonal uses of cash and prepayments of our first quarter 2013 installments on our term loans, as we continue our plan to stay a year ahead of our bank loan repayments. We continue to target the use of a substantial majority of our free cash flow for debt repayments, after providing for our dividend payments and restructuring obligations; and in April, we paid our second quarter 2013 term loan installments. Today, we went live with our European principal company structure for our Diversey European operations. This is an important milestone and represents the culmination of many months of hard work by the project teams. In the first quarter, we recognized \$5 million of costs related to the implementation of this program, which we have included in special items. We anticipate the future benefits from this reorganization will arise from more efficient management and lower overhead costs from a centralized management team and supply chain model as well as tax savings.

In summary, we remain well positioned to fund day-to-day operations of our new combined company, return cash to our shareholders through our regular quarterly dividend, and prepay our outstanding term loans. You may have seen that WR Grace has recently completed settlement agreements with certain claimants and has requested approval of the bankruptcy court. While we view this as a positive development, there are other outstanding appeals and the funding date of our obligation remains uncertain. However, we continue to stand ready to fund the pending WR Grace settlement upon Grace's emergence from bankruptcy.

And now, I'll turn the microphone back to Bill to open the call to your questions.

William Hickey - Sealed Air Corporation - President, CEO

Great, thanks, Tod. And, I would like to add Tod's compliments to the European team that's been working for months on bringing live our EPC. Today is day one of the go live, so to our European team and EPC members, thank you for the hard work you've put in on this.

With that, though, Operator, I would like to open the call up to questions from the participants, and I will also look at any text questions that come in from our webcast participants as well. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you very much.

(Operator Instructions)



Ghansham Panjabi, Robert W. Baird.

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

Bill, on your comment that your first quarter EBITDA was in line with your internal plan, how did the first quarter progress by operating segment because it looks like Diversey was weaker, so I guess what was better?

William Hickey - *Sealed Air Corporation - President, CEO*

Yes, Food was actually -- actually the core Sealed Air business I think was ahead of most of the street's expectations. Protective North America was up 9% in terms of volume, which is pretty good. So, I'd say the Protective side is running ahead of plan, Diversey side is running a little bit behind and it's primarily Europe, Ghansham, I said we are running close to plan, we are not at plan, but we are clearly within reach.

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

Okay. So, the first quarter EBITDA which was roughly flat year-over-year on your new adjusted EBITDA calculation, you're still backing \$1.2 billion, that's roughly \$120 million delta year-over-year just based on your restated numbers. So, on a percentage basis as we look through the last three quarters is it sort of 20, 40, 40 for the last three quarters? How should we think about that?

William Hickey - *Sealed Air Corporation - President, CEO*

Ghansham, I was looking at that number before, and I haven't done the math in detail or I actually have, first quarter is about 20%, and it should have been a little bit higher than that. It should have been a couple points higher than 20%, but it generally runs kind of low 20s, picks up to the mid-20s, third quarter probably drops down to just below 25%, and fourth quarter probably pushes 27%, 28%. That's a percent of the year, about.

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

Okay. And just finally, Bill, on the second quarter, what's the biggest months of quarter?

William Hickey - *Sealed Air Corporation - President, CEO*

Biggest month of the quarter, historically, has been May.

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

Okay, thank you.

Tod Christie - *Sealed Air Corporation - Treasurer, Interim CFO*

If I could just, Ghansham, add to Bill's comment on the pacing. What you'll see a little bit more exaggerated result this year because of the growing synergies over the course of the year.

William Hickey - Sealed Air Corporation - President, CEO

Yes, got you. I gave you seasonality from operating the business, and I think as Tod clearly pointed out, most of the synergies are second half of the year.

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

Okay, thank you.

William Hickey - Sealed Air Corporation - President, CEO

Because we have people scheduled to leave through the end of June.

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

Got it. Thank you.

Operator

Philip Ng, Jefferies.

Philip Ng - Jefferies & Company - Analyst

Appreciate the color on the seasonality. Just want to get a sense of the Diversey business because -- and there's one time issues it sounds like for North America, but if you take the \$50 million EBITDA run rate for Diversey and you bake in the full-year guide for synergies, I get to like a \$210 million number, that's well -- that's \$345 million that you guys delivered last year. What's the realistic EBITDA number for 2012? Flattish, down, up? Just give me some color on that.

William Hickey - Sealed Air Corporation - President, CEO

Tod?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

Yes, I don't think we provide guidance at the --

William Hickey - Sealed Air Corporation - President, CEO

At the EBITDA level by segment. That's probably how we are going to answer it, Philip.

Philip Ng - Jefferies & Company - Analyst

Okay. All right, that's fine. In terms of the mix issue in Diversey, it sounds like you're seeing a little more weakness in Europe, that's a higher margin business. Can you give us some color on what's the margin delta for Europe versus, let's say, North America and your emerging markets business?

William Hickey - Sealed Air Corporation - President, CEO

Europe is, I'd say it's several hundred basis points. I don't have the exact number here in front of me, but it is several hundred basis points. Again, Europe benefits from scale. Like our principal competitor was very heavy leveraged in the US and generally has higher profitability in the US, we are the inverse that we have higher probability than Europe because we can leverage the scale.

Philip Ng - Jefferies & Company - Analyst

Okay. And just one last final question for Tod. On the free cash flow, you guys reiterated the free cash flow number for the full year, but what about the cash costs around restructuring? Is it still around \$100 million number?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

Yes, we actually bumped that up a little bit to \$115 [million], and that's reflective of the increased target synergies for this year. So, the way to think of it is we bump this year's benefit up by \$20 [million] and the cash cost up by \$15 [million].

Philip Ng - Jefferies & Company - Analyst

Okay. All right. Thanks, guys.

Operator

George Staphos, Bank of America.

Benjamin Wong - BofA Merrill Lynch - Analyst

It's Benjamin Wong, George is traveling. Thank you very much for the additional details in the release, that was helpful. First question is on Diversey pricing. Can you elaborate more on pricing expectations for the rest of the year, assuming price cost spread should be positive and should maintain its momentum, but any more details would be appreciated?

William Hickey - Sealed Air Corporation - President, CEO

Yes, Diversey had \$20 million of price in Q1. I think their target number for price in the full-year is something in the \$70 million range, but we will see how raw material inflation comes out but it's actually \$20 million realized in Q1.

Benjamin Wong - BofA Merrill Lynch - Analyst

Okay, great. Can you comment about the raw material inflation in the Diversey business? I think it was somewhat flat in the last quarter, but are you expecting it to decline in the rest of the year?

William Hickey - Sealed Air Corporation - President, CEO

Yes. Raw material inflation actually in the first quarter was only \$3 million to \$5 million, so a little below expectations, closer to five. And, we do expect raw material inflation to go up in the 3% to 5% range over the balance of the year.



Benjamin Wong - BofA Merrill Lynch - Analyst

Okay. And, just a quick follow-up. On the timing shift for the customers in North American Diversey, what would have Diversey volumes look like if there wasn't a shift?

William Hickey - Sealed Air Corporation - President, CEO

If I were to take the two of them, it would probably be 0.5% different.

Benjamin Wong - BofA Merrill Lynch - Analyst

Okay. Thanks, Bill.

Operator

Scott Gaffner, Barclays Capital.

Scott Gaffner - Barclays Capital - Analyst

I just wanted to follow-up on the price discussion at Diversey. Can you remind us how the contracts work there? I mean, what's the lag on price versus cost realization? And, have you done much work on improving those contracts over the last couple of years, I think that was part of the margin improvement at Diversey before you actually acquired the company?

William Hickey - Sealed Air Corporation - President, CEO

Yes. The industry historically, if I go back long before Sealed Air acquired the company, there were about once a year adjustments, and I think both prior to Sealed Air's acquisition as well as since Sealed Air's acquisition, we have brought those to a more timely basis. There's still at this point a mix of them, some are quarterly, some are semiannually, and some are negotiation as situations come up in terms of having caps and floors. So I would say it's closer to the cost inflation than it used to be, but it's not simultaneous. So, you still have a little bit of a lag, but it's looking similar to the Sealed Air lag, we say about a quarter.

Scott Gaffner - Barclays Capital - Analyst

Okay. Is any of this pricing coming from actual price realization of above cost inputs?

William Hickey - Sealed Air Corporation - President, CEO

Well, we said there's \$20 million in the quarter, and some of that is obviously, follow-on from last year's cost inflation. If you remember, Diversey came out of the quarter Q4 at something like \$13 million behind the price cost curve, and so some of the \$20 million in the Q1 was catching up on that, as I mentioned in my comments.

Scott Gaffner - Barclays Capital - Analyst

Okay. Then, just quickly looking at the Diversey synergy targets, you obviously took them up in the quarter, but how much of that is actually related to the weaker sales environment in Europe? Or, is it more related towards the new European business structure? Can you just frame that for us?

William Hickey - Sealed Air Corporation - President, CEO

Yes, we have not made any changes directly related to the European sales situation now. These are really additional things we found as the teams are putting together their organizations down at the third and fourth level of the organization, and it's across the board in both the back office, as well as the global manufacturing network and footprint, so it's a combination of both. There's no direct relationship to the sales performance in Europe in that higher number.

Scott Gaffner - Barclays Capital - Analyst

Okay. Thanks for the color.

Operator

Adam Josephson, KeyBanc.

Adam Josephson - KeyBanc Capital Markets - Analyst

A large competitor of Diversey said it picked up new business in the last quarter, and has Diversey lost business since the acquisition? Can you just give us a little more details about the timing shift in North America that you spoke about earlier, Bill?

William Hickey - Sealed Air Corporation - President, CEO

Yes, sure. Let me give you in terms of -- I actually have a list here, business wins and losses over the last two quarters, and without talking about specific competitors and who did what to whom, on net average there's probably about 24 accounts that have changed. Our analysis shows we are net ahead by about \$3 million.

Adam Josephson - KeyBanc Capital Markets - Analyst

Okay. And the timing shift?

William Hickey - Sealed Air Corporation - President, CEO

Timing shift in Q1 is two items, principally two items is -- there was one of our customers that we have subsequently learned that stocked up their inventory at the end of December to qualify for a higher rebate level, and so their first quarter orders were basically off because they were working off their inventory. And, the second one was a change in one of our retail customer's purchasing pattern for their floor care.

Adam Josephson - KeyBanc Capital Markets - Analyst

Great, thanks. Then, just one other. What challenges, if any, have you encountered as part of the process of extracting these cost savings? Has the process adversely affected Diversey's relationships in any way?

William Hickey - *Sealed Air Corporation - President, CEO*

We have not really affected any front line customer facing people. The most substantially all of the synergies are in-house, they are internal, back office, overhead categories that are not -- the number of -- the 6,500 customer-facing people all remain on the job, and at some point we will probably add to that.

Adam Josephson - *KeyBanc Capital Markets - Analyst*

Great. Thank you, Bill.

Operator

Chris Manuel, Wells Fargo.

Chris Manuel - *Wells Fargo Securities - Analyst*

Two questions actually from comments earlier that you had through prepared comments and such. The first, if I could, I'm just going to run through a couple of numbers in Diversey, and then ask for help with something. When I look at you had \$21 million of -- was the adjusted up profit for last year, \$8 million this year. So, if I start at the \$21 million and I add the \$15 million of synergies, and then deduct off what you've identified here from volume and unfavorable mix, there still is about a \$13 million gap year-over-year.

I think earlier you addressed that the volume issue was related to some timing, or was embedded in there. And you've also, I thought, indicated that price cost was roughly a -- you had achieved what you needed in price cost, although there's still a little more to come. So, I guess what I'm missing, or my question is, is there another piece that we are missing in the analysis that it was a year-over-year incremental?

William Hickey - *Sealed Air Corporation - President, CEO*

Well, there's -- let me just say, two things, is that one is, I'll let Tod talk in more detail on one of them, is the synergies are not all in Diversey because as we have combined businesses -- it's interesting when you have two HR departments and you end up picking the team that goes together as one HR department, if the headcount reduction comes on the Sealed Air side, that synergy is falling in the Sealed Air number, whether that's the right way to do it or not, you can discuss it. But, if we have eight less people on Sealed Air HR because the Diversey's got particular strength in HR that we are letting them be the survivor in that particular part of the company, that synergy number is going to fall inside the Sealed Air number. So, Tod can go into more detail on that.

But on the difference, what you really got is it's the volume and the mix component. I mean, it's basically at the margin line. It's at the gross margin line primarily on the volume shortfall. If the volume held up, we would have beat those numbers by quite a bit.

Chris Manuel - *Wells Fargo Securities - Analyst*

Okay, so that's something then it's above and beyond the \$16 million you've called out?

William Hickey - *Sealed Air Corporation - President, CEO*

Yes, yes. Tod on the --



Tod Christie - *Sealed Air Corporation - Treasurer, Interim CFO*

Yes, I'm not sure Bill left me much room to expand on this. Yes, the \$15 million that we recorded in synergies in the first quarter, while we said that it was largely Diversey, there were synergy benefits in other segments as well. And as Bill said, it's partly where the affected employees are, if it relates to severance, or where the plants are if it relates to manufacturing operations, and we have back office where it's an allocated amount. So it's -- we have done our best to separate that by segment, and the majority is in Diversey but not all of it.

Chris Manuel - *Wells Fargo Securities - Analyst*

Okay. I'll follow up, too. And the second comment, Bill, and I may have misheard you, but there was a piece when you were talking about, I thought some of your core Sealed Air business or legacy business, where you talked about rebuilding credibility with customers in the marketplace in regards to bringing your unique technologies and solutions to the market. Can you expand upon that a little bit? Or, what you were referring to there?

William Hickey - *Sealed Air Corporation - President, CEO*

I really wasn't referring to the core Sealed Air business. I was looking particularly at the North American Diversey business, where over the last four years Diversey's exited a lot of businesses in North America. So, we really need to rebuild our base with those customers that we are here to stay.

Chris Manuel - *Wells Fargo Securities - Analyst*

Okay, that's helpful. Thank you.

Operator

Alex Ovshey, Goldman Sachs.

Alex Ovshey - *Goldman Sachs - Analyst*

Can you comment on what your resin inflation was in the legacy Sealed Air business during the quarter, and what your outlook is for specialty resin and commodity resin inflation for the balance of 2012?

William Hickey - *Sealed Air Corporation - President, CEO*

I think in the quarter was about 4% to 6% in the quarter, Tod, right? Yes.

Tod Christie - *Sealed Air Corporation - Treasurer, Interim CFO*

Yes, the outlook for the year, it's going sound like a similar story because our outlook for the overall year is about 3% to 5% inflation similar to what we are seeing on the chemical side.

Chris Manuel - *Wells Fargo Securities - Analyst*

Okay. So it's three to five, that's a percentage number?

Tod Christie - *Sealed Air Corporation - Treasurer, Interim CFO*

That's a percentage number, and our outlook kind of as far as pacing has not changed over the past 90 days either, so we expect some flattening over the course of the middle of the year, and then a further rise later in the year.

Chris Manuel - *Wells Fargo Securities - Analyst*

Okay. So, price cost in the legacy Sealed Air business, how did that trend during the first quarter?

William Hickey - *Sealed Air Corporation - President, CEO*

Sealed Air price in the quarter was \$15 million positive.

Chris Manuel - *Wells Fargo Securities - Analyst*

Okay, got it. That's helpful. Then, based on the information you have now, realizing there's a tremendous amount of uncertainty, do you still -- do you expect that WR Grace settles out in '12, or does it get pushed out to next year?

Tod Christie - *Sealed Air Corporation - Treasurer, Interim CFO*

Well, we are hopeful that it settles this year, but --

William Hickey - *Sealed Air Corporation - President, CEO*

We said that every year.

Tod Christie - *Sealed Air Corporation - Treasurer, Interim CFO*

I said in my prepared remarks that there are still appeals underway, so we don't yet have that certainty, so just ask you to follow along with us.

Chris Manuel - *Wells Fargo Securities - Analyst*

Understood. Good. Thank you.

Operator

Mark Wilde, Deutsche Bank.

Mark Wilde - *Deutsche Bank - Analyst*

Question first on a couple of cash items. I noticed that non-cash comp is up \$30 million. Should we assume that your cash component is down by \$30 million, is the direct offset?



Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

Yes, that \$30 million, what that relates to is our US profit sharing.

Mark Wilde - Deutsche Bank - Analyst

Yes.

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

That we have usually paid in cash, but at various different times in our history have paid in shares, or in a combination of cash and shares. So, we have elected to make those payments in shares rather than cash, which conserves cash and allows us to pay down our debt more quickly.

Mark Wilde - Deutsche Bank - Analyst

And so, Tod, is that part of your maintaining your free cash flow guidance? Is that included in there?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

It -- yes, it is a component of that, yes.

Mark Wilde - Deutsche Bank - Analyst

Okay. Then, on the other cash question I had is just the tax rate, the core tax rate came down by about 3%, from 30% down to 27%. Have you made any changes in your cash tax assumptions for this year? I think you were at 115 to 135?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

That's right. Yes, the cash tax assumptions for the year remain the same. The core tax rate reduction is a combination of some additional tax planning that we have been able to do as well as a favorable settlement on an open audit.

Mark Wilde - Deutsche Bank - Analyst

Okay. And then just one other question. In the legacy Sealed Air businesses and Protective, I think you mentioned that Europe and the Middle East were down 3%, but then you went on to say driven by volume declines in southern Europe. I just wondered if you could quantify how far that southern European business dropped from a volume standpoint?

William Hickey - Sealed Air Corporation - President, CEO

Yes, I don't think we said the core. I said the core protective business in North America was up 9%. European business was actually on the protective side. At constant currency, volume in the core European protective business was down low single-digits.

Mark Wilde - Deutsche Bank - Analyst

I'm just reading from the release here. It says, you may have volumes decline 3%, due to economic weakness in southern Europe. So, it seemed like from that that southern Europe would have been down more sharply. I was just trying to get a sense of that, Bill.

William Hickey - Sealed Air Corporation - President, CEO

Yes. And, southern Europe particularly -- southern Europe is being Spain, Italy, Greece.

Mark Wilde - Deutsche Bank - Analyst

All right. Very good, thanks.

Operator

Chip Dillon, Vertical Research Partners.

Chip Dillon - Vertical Research Partners - Analyst

Just to make sure I understand the synergy, if you got \$15 million in the first quarter, I want to make sure I'm seeing this correctly. That's obviously annualizing to \$60 million, so is it fair to say you only see an incremental \$10 million for this year on top of this?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

Yes, I think, Chip, I think you're looking at it the right way in that we expect the synergies pacing to grow over the course of the year. So, the biggest quarter should be the fourth quarter. So what's implied, yes, what's implied in the guidance is that we will get another \$55 million over the balance of the year. And, we are continuing to refine our programs, and I expect we will have another update when we report our second quarter earnings.

Chip Dillon - Vertical Research Partners - Analyst

Okay. And then just on -- as we try to ascertain the seasonality of Diversey, we did a little exercise, if you go back over like the last seven years, they would tend to see about a \$40 million jump in EBIT from first to second quarter, hold there in the third, and then drop most of the way back down in the fourth quarter. And, if incremental synergies are only about \$5 million, and they may not even all be in that segment, if I play with the numbers it would seem like the EBIT for the year in Diversey, adjusted that is, would be something under say 145. Is that in the ballpark of what you incorporate into your 150 to 160 EPS?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

Yes, I'm not sure I followed all the math, but if we kind of take it the pieces, I think you have appropriately identified the seasonality of the EBIT, with the second and third quarters being the strongest. Yes, maybe we could come back to that one because I'm not sure I followed all the pieces that --

Chip Dillon - Vertical Research Partners - Analyst

Well, I was starting with 8 in the first quarter and then so you would go 48, 48, then back down to about 13, if you just used a rigid, and then add a little bit for synergies, that's how I got there.

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

Yes, I'm not sure I can comment on it.



Chip Dillon - Vertical Research Partners - Analyst

And then last, real quickly, capital spending for the year?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

Yes, we are still maintaining the same guidance. As you probably saw, we only spent \$29 million in the first quarter. Capital spending can be lumpier than some of the other operating costs. So, with the network optimization project that we are planning as part of our overall optimization plan, as well as normal capital spending, at this stage we are maintaining the guidance that we issued three months ago.

Chip Dillon - Vertical Research Partners - Analyst

Which is about, what, \$185 million-ish?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

Yes, it is \$180 million to \$190 million, including \$20 million for the network optimization projects.

Chip Dillon - Vertical Research Partners - Analyst

Thank you.

Operator

Rosemarie Morbelli, unfortunately we don't have your company name, so if you could state that, please.

Rosemarie Morbelli - Gabelli & Co. - Analyst

Sure, I am with Gabelli & Company. Bill, you mentioned the rebate on the Diversey side, if I remember properly. Is that something that can change, or is a rebate a necessary evil to do business with some customers?

William Hickey - Sealed Air Corporation - President, CEO

No, Rosemarie, it's pretty common, actually it's on the Protective side as well as on the Diversey side. We sell to the same channel on distribution. It's a practice, Rosemarie, that came into effect, it's probably got to be 20 years ago and has been an incentive to get higher volumes. And, they are basically low single-digit percents, and it's generally based on a certain volume growth over the prior year. And, it's not unusual, if a distributor gets close, that if they can make the next tier by the end of the year, they will, and it's not the first time I've seen it.

Rosemarie Morbelli - Gabelli & Co. - Analyst

Okay. And on the equipment side, how strong was that particular part of the business? Is backlog growing? Because that is really a sign of the trends of the business to come. If you could help a little bit on that?



William Hickey - *Sealed Air Corporation - President, CEO*

Yes, Tod has got some update on that.

Tod Christie - *Sealed Air Corporation - Treasurer, Interim CFO*

Yes, I think the -- I think we talked about portions of the business where we had strong equipment sales during the quarter. Where we did see some weakness was in the Food businesses, basically against tough comps last year, and we do have a strong pipeline on Food, so I expect it to be flat for the year. The Protective business was up 20%, which is really a good sign for prospects for growth going forward.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay. And if I may ask one last question. Could you talk about the trend during the quarter on a monthly basis? What are you seeing, and if you could touch on different businesses? If you could touch as to what you are seeing in April? And, do you expect in those -- in your guidance, do you expect Europe to decline further in the second half of the year? I mean the news are not that rosy there.

William Hickey - *Sealed Air Corporation - President, CEO*

Yes, well I wish I had a crystal ball on Europe, Rosemarie, and I don't. You know, I thought -- I mean, this is the fifth or sixth time the Europeans have come into an agreement on settling the crisis, only for it to happen again a week or two later.

But, I'll give you a couple of things and they are not completely obvious, is that Diversey had a slower January, February but a strong March. And, I think that that's positive because the organization is coming together; it's been through a challenging transition over the last four or five months, and the comeback strong in March, I think was positive after a slower January, February.

In the Sealed Air, the Protective side, it was a little bit the other way around. We had a pretty good January, February, the first three weeks in March were reasonably slow, picked up the fourth week in March quite strong, we had one of our best selling days of the quarter at the last week of March. On the Food side, we did have that hiccup with the finely textured beef, which referred to in the media by another name.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Yes, pink slime.

William Hickey - *Sealed Air Corporation - President, CEO*

And, that was a negative for a short period of time, didn't last too long. But again, it basically came out of the line, and I don't think it's going come back. I don't think that was a timing issue. I think people for a period of a week or two, just cut their beef consumption, so our comment from our Food folks are those sales are probably lost. That's not going to be a timing issue.

And, we did have one unfortunate incident, or two really, from that finely textured beef, is one we had a bankruptcy just under \$1 million, about \$800,000 from a customer who went Chapter 11 as a result of demand for finely textured beef dropping off. And, a different customer on the Diversey side, who did the cleaning and sanitation for one of the manufacturers of finely textured beef, actually shut down their production and we lost those sales in Q1, as I had mentioned on prepared comments, we probably won't see that factory start up for the rest of the year.

So, I would say no real clear signal. In the Industrial business, my own feeling, had inventory correction in our customers in the first three weeks of March, and Diversey business coming back in the end of March was good.



Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay, thank you.

Operator

Al Kabili, Credit Suisse.

Al Kabili - *Credit Suisse - Analyst*

I guess, Bill or Tod, just on the outlook, I think you mentioned in the first quarter was, on a pro forma basis, sort of flattish. We know you have another, call it close to \$50 million of additional synergies sort of still ramping. But, the \$1.2 billion of EBITDA for the full-year, that probably implies about \$180 million of EBITDA growth in the next three quarters. You are kind of flat first quarter, and you got \$60 million of synergies, so where -- you know, help us with, where the trends sound like they are similar to the first quarter in April, where does the extra growth come from the remainder of the year?

William Hickey - *Sealed Air Corporation - President, CEO*

Well, I think we were looking at the 3% to 5% growth. If you look at our growth in the quarter, total company was less than that, was 2%-ish. Then, we've got the -- as you said you've got a cost savings, which are going up; you've got the higher sales volume and the better mix. So, you've got price -- remember, we've got \$20 million price on the Sealed Air side and \$20 million price on the Diversey -- total price in the quarter was about \$42 million on a pro forma basis for the Company, so you will see that flow-through, higher volume and better mix, plus the synergy number.

Al Kabili - *Credit Suisse - Analyst*

Okay. And then two quickies on the -- two quick follow-ups on that. One is can you help us quantify what the financial impact was on Diversey for the timing of the North America order pattern shifting, how much EBIT, EBITDA that sort of shifted 1Q to 2Q? Then, are you -- is price cost going to be a positive in the second quarter?

I know resin has -- that we have seen some, particularly in Europe, some cost inflation on the resin front, so as you look at 2Q, is that a tailwind price cost, a headwind, flat? Help us with that, thanks.

William Hickey - *Sealed Air Corporation - President, CEO*

Yes. Price cost, I would say we are going into Q2 carrying some positive price. We've indicated we have some price increases going into effect. If we execute those price increases well in Q2, we should be pretty neutral. If they drag out a little bit, we could be slightly unfavorable for the quarter, but we catch up early Q3.

Tod Christie - *Sealed Air Corporation - Treasurer, Interim CFO*

And Al, on the effect in the quarter on the first item is less than \$5 million in sales.

Al Kabili - *Credit Suisse - Analyst*

Less than \$5 million in sales. Okay, got it. Thank you.

Operator

Todd Wenning, Morningstar.

Todd Wenning - Morningstar Equity Research - Analyst

It looks like red meat slaughter rates are down slightly year-over-year. Have you had any problems managing that and expect any reversal in the slaughter rates going into the back half of the year?

William Hickey - Sealed Air Corporation - President, CEO

Yes, meats are down low single-digits, 2% range for year-over-year. I think when you look at our food volumes being positive, I think that suggests that we managed it well with providing customers alternatives, giving them more opportunities to merchandise better, and really selling more product to customers on a smaller beef herd. And, we've had some benefit because hogs are up, too. Pigs are up and that helps offset some of the beef. But, beef expects to be down for the full year. You won't see, probably, cattle numbers turn positive until 2013, at the earliest.

Todd Wenning - Morningstar Equity Research - Analyst

Okay, great. And, are you seeing some -- still seeing elongated reordering periods in Diversey's Europe Government and Education sector, and do you expect that to remain the same for the rest of the year?

William Hickey - Sealed Air Corporation - President, CEO

I think pretty much so, right, yes.

Todd Wenning - Morningstar Equity Research - Analyst

Okay, great. Thank you very much.

Operator

Gil Alexander, Darfil Associates.

Gil Alexander - Darfil Associates - Analyst

I forget on the Grace settlement, how much free cash will you get at the end?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

So, it will depend on the value of the shares, as well as the amount of the cash that we pay when we ultimately fund the settlement, so the simple way to think about it is take the sum of those two and apply the US tax rate to that. So, if it's roughly \$1.2 billion in value and you apply 35% to that, you get something on the order of \$400 million, and then that does not all come at once. So, I think we've said in the past, that we expect the majority of that to come in the year following the year in which we fund the settlement, and then the balance will come in over a several-year period following that.



Gil Alexander - *Darfil Associates - Analyst*

And, you probably did 80% of that year -- or the following year after the settlement?

Tod Christie - *Sealed Air Corporation - Treasurer, Interim CFO*

I think that's consistent with what we've said before.

Gil Alexander - *Darfil Associates - Analyst*

I thank you. And, on your pre-cash flows, that's before capital expenditures and dividends, isn't it?

Tod Christie - *Sealed Air Corporation - Treasurer, Interim CFO*

It is before dividends but after CapEx --

William Hickey - *Sealed Air Corporation - President, CEO*

But after -- it is after CapEx, before dividends and before debt service.

Gil Alexander - *Darfil Associates - Analyst*

After CapEx but before dividends?

William Hickey - *Sealed Air Corporation - President, CEO*

It is after CapEx, yes.

Gil Alexander - *Darfil Associates - Analyst*

Good luck.

Operator

Stuart Scharf, S&P Capital IQ.

Stewart Scharf - *S&P Capital IQ - Analyst*

I was wondering if you could talk a little bit about Latin America, and how things are developing there, your growth prospects, and just kind of break it down?



William Hickey - *Sealed Air Corporation - President, CEO*

Latin America is a positive place in our business. If I look at a total company basis, see if it's in here, Latin America business is growing at -- I got to find the right number here, 5.1%. The Diversey business Latin America actually grew 8%. Diversey Latin America grew at 8% in the first quarter. We are doing positive in most of the countries in Latin America. We've got our challenges in Argentina because of the economy and the regulatory environment, but basically we looked at 8% growth in the Diversey business, 8% growth in the legacy Sealed Air business.

The Brazilian meat industry is starting to recover. They had a slow period last year or so, as the value of the currency made their beef exports less competitive, but we see them coming back online. So, Latin America is kind of a bright spot for us. If I look at business opportunities, both on the Sealed Air and Diversey side, some of our earliest joint synergy sales are from the Latin American team. And, I also think our first sale with our GE Water alliance was also generated in Latin America, so it's a real positive group, good attitude, and I think a lot of opportunity.

Stewart Scharf - *S&P Capital IQ - Analyst*

Okay, thanks. And regarding pricing, I wasn't clear on price initiatives from '11 that are going to kick in this year, and there also will be some additional price hikes during the year?

William Hickey - *Sealed Air Corporation - President, CEO*

Yes, Stewart, I think what I said is that we had \$20 million of positive price on the Diversey side, we had a little over \$20 million positive price on the Sealed Air side, the combined business generated about \$42 million in positive price in the first quarter. That represented the follow-over of price increases announced and implemented in the fourth quarter of '11, and that flowed to '12, as well as the partial effect of pricing increases implemented in '12 that were realized in Q1.

Stewart Scharf - *S&P Capital IQ - Analyst*

Okay. Thank you very much.

William Hickey - *Sealed Air Corporation - President, CEO*

Okay, I've got one more telephone question, and then I'll take those couple there from the webcast. So, if we could take that one more question from the phone.

Operator

Scott Gaffner, Barclays Capital.

Scott Gaffner - *Barclays Capital - Analyst*

Yes. I just wanted to follow-up on the increase in the working capital in the quarter. How much of that was driven by the new European principal company structure, and how much of that was just operating in the business, and if it is related to the principal structure, when should we see that come back?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

Yes. So it was -- yes, so it's -- that's solely within inventory, first of all. And, the buildup, as a result of the European principal company structure, we should see reverse in the second quarter, and likewise the seasonal buildup should largely reverse in the second quarter, as well. I would say that the majority of it was normal seasonal buildup.

Scott Gaffner - Barclays Capital - Analyst

Okay. And then just lastly on the cash, I think you had \$500 and -- what was it close to \$530 million in cash currently on the balance sheet?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

Yes.

Scott Gaffner - Barclays Capital - Analyst

I mean, if the Grace settlement was to come in, are you concerned at all that you have a little bit lower cash balance at this point in time to fund the settlement?

Tod Christie - Sealed Air Corporation - Treasurer, Interim CFO

No. I mean, that's a seasonal variation. We have \$1.3 billion of cash in committed liquidity, so we do have access to other funds. We don't have to get any external financing if we were to fund Grace in the near term. And likewise, most of that cash is acceptable to us so there's very little trapped cash on our balance sheet.

Scott Gaffner - Barclays Capital - Analyst

Great, thank you.

William Hickey - Sealed Air Corporation - President, CEO

Okay. Operator, I'm going to take a couple of questions here that came in from the webcast.

First question was an update on CFO search.

We are still ongoing. We are in the final rounds, and the senior management team has been interviewing the last rounds of candidates, so it's in process.

Second question, Diversey constant dollar sales Q1 by region?

I'll give you constant dollar sales by region. If I look at the EMEA region, EMEA constant dollar sales were up 1.2%. If I look at North America, it was actually minus 5.7%. EMEA was 1.6%. I'm sorry, I read the number wrong, 1.6%. North America was minus 5.7%. Latin America was plus 8%. Asia-Pacific was 6.4%. And, total Diversey quarter sales in constant dollars were 0.5% positive. Okay?

Then the next question from the webcast. Second quarter constant dollar sales, 3% seems to be an acceleration versus Q1?



That's absolutely right. And, it's basically seasonality as business picks up and as people prepare for the summer, and you've got the lapsing of the one-time customer pattern from Q1. And, you've also got the hotel business and food and beverage picking up in Q2, as people begin traveling more and consuming more, and we also get better comps from Japan. I mean we didn't point it out in our prepared comments. Japan represents about 10% of the Diversey business, about a \$300 million business. And, they were negative 10% plus as a result of the earthquake and tsunami in March of 2011. As that business has come back, we go into Q2, there will be favorable comps in Japan compared to prior year.

Okay, the next question, Diversey market shares trends by geography and market?

We really don't talk market share; that's not our style. Not the way we typically have done things, but overall we continue, we feel, to not see any significant shift in our business in any particular region or any particular market.

Okay. Next question is which businesses will require more price increases in Q2, and will they be in the 3% to 5% range?

The businesses that probably will need some price in Q2 could very well be the Protective business, which is the largest buyer of the commodity resins. And, to the extent that commodity resins tend to be the most volatile in price, it's probably the Protective business, and I know the Protective management team is well aware and is prepared to move. And, it will be in the 3% to 5% range.

With that, I think we are definitely a little bit over time, but I want to thank you all for participating in the call. I would like to really reemphasize the strengths of the fundamentals of the business, that our short-term achievements in increasing and accelerating the cost synergies from the new organization, and the team is doing a fantastic job of meeting the needs of our expanding customer base.

We are in a solid position to recognize the benefits of our efforts, most notably in the second half of the year. And, we really have the organization positioned to confidently reach our targets, even if we have to navigate through ongoing challenges in the European business. I think you'll see ongoing improvement in our results, stronger cash flows, and further reduction in our debt levels, all of which will enhance our earnings.

Thank you, again, for taking the time to listen to us today. Thank you.

Operator

Thank you. Ladies and gentlemen, that concludes your call for today. Thank you for joining. You may now disconnect.

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