FINAL TRANSCRIPT

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SEE - Sealed Air Corp to Acquire Diversey Holdings, Inc. Joint Conference Call

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CORPORATE PARTICIPANTS

Amanda Butler
Sealed Air Corp - Director of Investor Relations

Bill Hickey
Sealed Air Corp - President, CEO

Ed Lonergan
Diversey - President, CEO

Dave Kelsey
Sealed Air Corp - CFO

CONFERENCE CALL PARTICIPANTS

George Staphos
BofA Merrill Lynch - Analyst

Rosemarie Morbelli
Gabelli & Company - Analyst

Philip Ng
Jefferies & Co. - Analyst

Mark Alter
Credit Suisse - Analyst

Al Kabili
Macquarie Research Equities - Analyst

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

Peter Ruschmeier
Barclays Capital - Analyst

John McNulty
Credit Suisse - Analyst

Chris Manuel
Keybanc Capital Markets - Analyst

Edward Yang
Oppenheimer & Co. - Analyst

John Roberts
Buckingham Research Group - Analyst

PRESENTATION

Operator

Ladies and gentleman, thank you for standing by. Welcome to today's conference call and webcast to discuss Sealed Air Corp's acquisition of Diversey. At this time all participants have been placed in a listen-only mode, and the floor will be open for your questions following the presentation. (Operator Instructions) Thank you. I would now like to turn the call over to Amanda Butler, Director of Investor Relations at Sealed Air. Please go ahead.

Amanda Butler - *Sealed Air Corp - Director of Investor Relations*

Thank you, and good morning everyone. First, I would like to apologize for the slight delayed start. We were having some small technical difficulties loading the presentation onto our website, so for those that are looking for the presentation to follow along, if you're calling in via telephone, that should be loading onto the IR home page at this moment.

I'd like to welcome you to the conference call to discuss Sealed Air's acquisition of Diversey which we announced earlier this morning. And joining us on the call this morning are Bill Hickey, our President and Chief Executive Officer, and Dave Kelsey, our Chief Financial Officer. We are also pleased to be joined by Ed Lonergan, President and Chief Executive officer of Diversey. We will be using a slide presentation during today's call, and the presentation is available and should be now in the Investor Relations section of our website at sealedair.com.

Before begin our call today, I'd like to remind you that statements made during this call stating managements outlook or predictions for the future are forward-looking statements, so please review the Safe Harbor language found in our presentation on slide two. These statements are based solely 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 as well, which applies to this call. 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 reports on Form 10-K, which you can find our website as well at sealedair.com. We also discuss financial matters that do not conform to US GAAP and you may find important information on our use of these measures and our reconciliation to US GAAP in the financial table that we have included at the end of the presentation. And now I'll turn the call over to Bill Hickey, our CEO. Bill?

Bill Hickey - *Sealed Air Corp - President, CEO*

Thank you, Amanda. I'm going to start with slide four, which Amanda said should be on our website. And thank you all for joining us, particularly for joining us on short notice. This is truly an exciting day to be a Sealed Air employee, a customer, and a shareholder. And I think Ed would agree that this is an equally exciting day to be a Diversey employee and customer. As you read in our press release this morning, we have entered into a definitive agreement to acquire Diversey. Based in Racine, Wisconsin, Diversey is a supplier of cleaning and hygiene solutions. The Company serves many of the same end markets that we do, namely, food production, food services, and health care. They also serve food and beverage, lodging, and building contractor businesses. I would like to spend our time this morning giving you the background of the acquisition and why it is such a compelling strategic fit for both companies.

As you can see on our agenda on slide 4, I am going to begin with a brief discussion of Sealed Air's vision. Ed will then give you an overview of Diversey. And then I will show you how, when you put it all together, it creates such a strong value proposition. Finally, Dave Kelsey will take you through the financials, and we'll wrap up with Q&A.

I would like to move to slide 5 to talk to you a little about who is Sealed Air for anyone on the call who is not familiar with the Sealed Air organization. We are a leading global innovator and manufacturer of specialty packaging and performance-based materials and equipment systems. Our primary businesses are food packaging, food solutions, and protective packaging. We are a $4.5 billion Company, and for more than 50 years, we have been the market leader in bringing you innovative applications with brand names including Bubble Wrap, Jiffy Mailers, and Cryovac to customers around the world. With our customized, flexible and integrated solutions, we are at our core a services Company.

Turning to slide 6, we really differentiate ourselves in our space by bringing measurable value to our customers, and we work with them to demonstrate with hard facts and numbers, how we are able to reduce their total cost. And that is essentially how we have gone to market for over 50 years. One of our differentiating characteristics is technology. We are a leading innovator within each of our segments. We spend 2 times the industry average on R&D. We have the largest number of food scientist outside the food industry. And our products and services are focused on performance. Since the founding of Sealed Air, we have gone to market using a total systems approach, which provides our customers with tools, whether as equipment or services, to best leverage our materials. Together, these total systems have improved their packaging productivity, their efficiency, and reduced their total lifecycle costs. Effectively, we've given them confidence as their product moves through the supply chain.

We also support this with full service. We walk our customers through how to package, how to encourage food safety, how to operate safely and efficiently, and how to be sure that their product is delivered in a safe and hygienic state to consumers and the ultimate end-users. And we do that through design, testing, and support services. We also leverage insight to drive value. Our equipment utilizes remote diagnostics so that we can actually monitor customers own performance uptime and yields on a near real-time basis, including text alerts to supervisors. And of course, we leverage these strengths across our 52-country presence, where our global platform provides flexible solutions and agile performance to meet our customers' dynamic needs.

Moving to chart 7, at Sealed Air, our vision is ultimately to be our customers' go-to partner to help them meet their needs and directly improve their bottom line. And over the last several years, their concerns have increasingly centered around food safety and handling in their supply chain prior to packaging and in commercial kitchen food processing. To address these concerns, we have been providing technology-based solutions and have been hiring people from within the sanitation and cleaning industry to incubate several of our own solutions. But we concluded that to accelerate our presence, we needed a sizable investment.

I'll turn to slide 8. Evaluating growth opportunities is a process that began several years ago. As we look -- as I talked to customers around the world, both in Europe and the United States, as I looked for ways to increase Sealed Air's share of our customers spend, and as I talked to senior executives, middle level executives, and plant operators in our customers' facilities around the world, one of their principal concerns was food safety and hygiene and cleanliness. And I saw that as a unique opportunity to take the trust and the confidence that our customers had in us and how we went to market and thought that there was an opportunity for Sealed Air to broaden our footprint. And over the years, we looked at opportunities to enter this market, including, as I mentioned earlier, internal R&D efforts and bringing in people from outside our current industry from the cleaning, sanitation and hygiene industry to help us move into this space. As we looked for opportunities to start, it was a struggle to get good traction in this space with the small scale that we had, so as I said earlier, we needed a sizable investment to move our vision forward.

And as we looked at slide eight, we evaluated what our criteria was. We wanted to become more important, more relevant to our customers with differentiated solutions. And Diversey fit that as they checked the box. We wanted to leverage and exploit our core competencies, and the Diversey opportunity checked the box. We wanted to enhance our financial profile; Diversey checked the box. And we wanted to drive attractive returns for our shareholders, and again, Diversey checked the box.

So why Diversey, as I move to slide nine? As I said just a few minutes ago, we felt that this was the right industry for Sealed Air to take the next step. It is a $40 billion industry with attractive growth fundamentals already present in our value chain. It was responding to the same megatrends that Sealed Air has been seeing in our customers around the world, health, hygiene, food safety, sustainability. We looked at this was the right company. Diversey is an innovative global leader. We share common customers, common end markets, and common geographies. And we both went to market with a value-based total system solution with a talented customer facing team. And it was the right transaction. It's an attractive valuation with upside from margin improvement and synergies, strong free cash flow for rapid deleveraging, and low integration risk.

Let me give you our top three reasons for entering this business. And you've seen that. As I now quickly move to slide 10, as you'll see the combined global Company will have net sales of almost $8 billion and adjusted EBITDA of $1.2 billion, with Diversey contributing approximately $450 million of that number.

Before I review the benefits of this combination in greater detail, I'd like to introduce Ed Lonergan, President and CEO of Diversey, who will be joining Sealed Air to run the Diversey business with his team. Ed has led Diversey since 2006 and has been in instrumental in deploying a number of initiatives that have ultimately transformed Diversey into the leader it is today. Ed has more than 25 years experience in the consumer products industry, including serving as President of Gillette for Europe, and holding a variety of executive positions at Procter & Gamble. We are truly delighted that Ed will be joining Sealed Air. With that, I'd like to turn the call over to Ed.

Ed Lonergan - *Diversey - President, CEO*

Thanks, Bill. This is Ed Lonergan, and I'm really delighted to be here with Bill today and proud to talk to you a little bit about Diversey and the road that we've followed over the last number of years. Diversey plays in a -- as Bill says, broad industry. We estimated at more than $40 billion in potential revenues. And it's one of only two global players in what we consider a highly-fragmented global marketplace. We chose and have served six primary global sectors with a very diversified end-market exposure. Over the last five years, we've focused on making the Company strong. We've exited or divested nearly $700 million of business that distracted from the core that we've chosen to pursue. We have a significant global presence with leading positions in every region that we serve. We have particular strength in Europe with about half our business today in that marketplace, and in emerging markets, with nearly a third of our revenues in those markets. Our revenues are about $3.1 billion in 2010, with $453 million of adjusted EBITDA. We operate in 64 countries, but we sell in 175 countries, serving our global customers wherever they choose to play and the US government allows us to sell. We have about 10,500 employees in the Company today.

If you've moved to slide 13, let me focus on a few things. We have built three solution set portfolios for our Corporation. Those are building care, kitchen and laundry, and food and beverage operating efficiency and sanitation systems. And those portfolio sets reflect the heritage of our foundational companies, SC Johnson the United States, Unilever in Europe, and Molsons Diversey. We've chosen to play in six broad sectors, and our business is pretty broadly spaced across those sectors today. And as you'll hear from Bill, there is significant overlap with Sealed Air in our end-users and in our route to market. We serve a broad array of global and local blue-chip customers. You see some of them listed on this page here, but that's just a tip of the iceberg, and we have limited exposure to any single customer or supplier.

If you turn to page 14, we have a total-systems approach. We're the only integrated producer in our space of machines for cleaning, utensils for cleaning, and chemicals for cleaning. We design and manufacture in all three spaces. We believe that by doing that we create solutions that work together and do what no single component could alone. No single machine, no single chemical, or utensil set. We combine that capability with a set of services that we've built over time that cover everything from water energy use and auditing in solutions, food safety training and development solutions to run businesses that our customers need to have managed. And our particular strength and sustainability and green thing. We believe that that business model provides for providing integrated solutions. Combining these products and services is focused on improving our customers operating efficiency and adds value well beyond the value of the chemicals and equipment.

If you turn to page 15, over the last several years, having come out of consumer products, I focused heavily on investing in consumer products quality, insight research in our space. We've conducted attitude benefit at the graphic research on a global basis, and those insights have informed our choice of target sectors, our choice of target customers, and it's informed our RD&E developments in our solutions in the marketplace. And over the course of the last several years, we've developed differentiated portfolio and business model solutions that set us apart as we believe in our marketplace in each of our chosen sectors.

A couple of quick examples. In food and beverage, the average food or beverage plant spends less than 0.2 of 1% of the total cost of running the plant on our chemical and equipment solutions. However, we have a far broader impact on those facilities. Our capabilities, learned actually by developing internally our participation in World Wildlife Fund Climate Savers program and our commitments to significantly reduce our footprint on the globe, have helped us figure out how to do the same for our customers. And so we actually are able to impact their water use, their energies, and the amount of waste generated by the facility to a far larger extent than the cost of the chemicals and equipment that they buy from us. And every proposition that we bring to our customers today includes those elements. And we believe that it's very difficult for anybody to compete in a similar way with Diversey.

In facilities solutions, our ability to bring machines, chemicals, and utensils together to reduce labor requirements to clean those facilities effectively, to improve the footprint of the facilities, and the green capabilities of those facilities relative to users we think are second to none, and we've partnered closely with building service contractors and facilities management companies to deliver that. In product innovation, our insights have enabled us to map the processes clean, as an example, from a dirty dish to a clean dish put away, and find solutions to make that process more repeatable, more sustainable, and more predictable. Some of the pictures that you see on the right-hand side of slide 15 are solutions that have been developed over the last several years and brought to market that optimize our capability-inducing dispensing devices, our ability to concentrate and deliver liquids and powders into solutions.

If you turn to page 16, and this is my last slide, and then I'll turn it back to Bill, it gives you a rough view of our 10K financials over the last several years, obviously unadjusted for divestitures and other actions of the Company. Two main messages, stating productivity improvements over the course of those last five years, and today at an inflection point for profitable growth. And we are excited to be part of the Sealed Air family as that proceeds. Let me turn it back to Bill.

Bill Hickey - *Sealed Air Corp - President, CEO*

Thank you, Ed. If I can move on to slide 18, let me walk you through the strategic highlights of this combination. Together with Diversey, we'll be a global leader in sustainable solutions that capitalize on the megatrends driving our existing businesses, hygiene, product protection, food safety, and food security. From a geographic standpoint, Diversey complements as well as extends our global footprint. With Diversey as a market leader in China, India, and Brazil, our opportunity for accelerated growth is strengthened in emerging markets around the world. As mentioned in our press release earlier today, the combined business would generate 21% of pro forma 2010 sales from developing parts of the world, a strong increase from Sealed Air's traditional 16% base. And as I mentioned already, Sealed Air and Diversey share complementary business models and strong track records of innovation. Together we will be able to offer customers a broader range of leading solutions and expertise that will help our customers reduce their costs, improve their profitability through increased efficiencies. In addition, we share many of the same blue-chip customers and common and market segments, which is expected to drive further revenue growth over the longer term.

Slide 19 is a quick snapshot of the new Sealed Air on a pro forma basis. Our combined revenue would be about $7.6 billion, and as you can see from this chart, food solutions and food packaging would represent just over 35% of our revenue with protective packaging coming in around 17%. Cleaning and sanitation would account for 42%. And through Diversey, we will gain a key presence in healthcare, retail, building management, and lodging. When combining all solutions sold to the food sector from both Companies, food-related products would represent 54% of Sealed Air's pro forma sales. And as you can see some of the other key data points on the chart, the new Sealed Air gains tremendous scale and reach, both in terms of footprint and feet on the street. We believe that these two strengths will help both organizations execute their growth plans and further leverage the installed equipment base present among our global customers. It will also help us successfully commercialize and scale new solutions that address evolving unmet needs stemming from shared global megatrends.

Moving on to slide 20. As many of you who follow Sealed Air know, we have focused on developing solutions that address and capitalize on the global megatrends you see featured on slide 20, which impact our customers and our value chain. By anticipating evolving needs from these dynamic factors as higher living standards, dining convenience, health and wellness, sustainability, and global trade, we have established a history of commercializing compelling solutions and have maintained leadership in our applications. We have often highlighted these megatrends as growth drivers for Sealed Air over the last several years, and interesting, they are also shared by Diversey. We believe that most of these megatrends share a need for sustainable solutions for hygiene, product protection, food safety, and food security. And entry into the $40 billion cleaning and hygiene sector helps Sealed Air further capitalize on these megatrends. As both organizations development pipelines are aligned to address these similar trends, we expect to find unique opportunities and synergies in marketing these solutions to our common customer base.

Slide 21. As you can see from the map on slide 21, this factor further reinforces Sealed Air's global footprint. On a pro forma basis, when combined, Sealed Air will generate more than 60% of revenues outside of North America, including 21% in developing regions where Sealed Air and Diversey will be uniquely positioned to capitalize on the growing demand for improved hygiene standards and better food safety. With Diversey 's leading position in Europe, including Central and Eastern Europe, Asia Pacific, Turkey, Africa, and Brazil, we expect Sealed Air to be able to leverage the strong footprint to extend our solutions more effectively.

On slide 22, one aspect of the transaction that's particularly attractive to us in that we have many overlapping blue-chip customers, which we expect to drive further top-line revenue growth in the future, as you can see on slide 22. On slide 23, with Diversey, we will enhance our existing leadership and expertise, offering customers around the world an expanded solutions offering. The combined Company will have approximately 9000 customer facing employees and an operating presence in 69 countries, with distribution access to more than 175 countries. Together, we will be uniquely positioned to meet these customers growing demand for convenience, safety, hygiene, and sustainability. Where you find Diversey products, you will often find Sealed Air products, including food production plants, restaurants, hospitality locations, retail stores, and industrial factories. I think you'll see what I mean in the following three examples on slide 24 through 26.

Slide 24 gives an example of a typical food processor and demonstrates that both Sealed Air and Diversey solutions are present in the same site. You will note, for example, Sealed Air's packaging for fresh meat and Diversey's sanitizers and hygiene tools, both oriented toward hygienic and secure standards at a meat processor's facility. The next slide, 25, shows a typical food service location as a restaurant, where Sealed Air provides products for dispensing and portion control as part of our vertical pouch packaging solutions and Diversey offers food safety training and supplies, all important solutions to ensure effective, safe, and hygienic food service operations to the customer of the restaurant. Lastly, slide 26 illustrates the distributor of office supplies and how both Sealed Air and Diversey's portfolio of products are well suited for distribution to a variety of businesses to meet their packaging and maintenance requirements.

On slide 27, Sealed Air and Diversey share a long history of innovation and developing market-leading solutions services and technologies that serve similar customers. Together, we believe we have an opportunity to enhance the quality of differentiation of solutions, enhance commercialization, and benefit from the extensive know-how, patents, and trade secrets inherent in each of the two businesses. Turning to slide 28, we both remain committed to doing all of this while not sacrificing our heritage in quality and leading innovation, which both organizations have been widely recognized by their industry. Additionally, both organizations are committed to sustainable practices, including Sealed Air's SMARTlife program and Diversey's leading position in providing sustainable products in the cleaning and sanitation industry. In short, as I move to slide 29, we are thrilled and excited about how this combination enhances our growth opportunity through expanded geographic reach, extension of our shared customers, and expanded solution development opportunities. Ultimately, our excitement is how this transaction transforms both organizations and presents tremendous strategic growth opportunities. With that, I'd like to turn the call over to our Chief Financial Officer, to Dave Kelsey, to provide details on the financial benefits of this transaction. Dave?

Dave Kelsey - *Sealed Air Corp - CFO*

Thank you, Bill. I certainly share Bill and Ed' s enthusiasm for this growth opportunity. Without a doubt, this acquisition is strategically compelling, but it also provides significant financial benefit and is expected to generate solid shareholder value. I'll highlight a few of the agreements, high points here, on the next five slides. In summary, the agreement to acquire Diversey was the cheap and attractive valuation of $4.3 billion. This amount includes $2.1 billion of cash, roughly $800 million of common stock at yesterday's closing price, and the assumption of debt that will be refinanced of approximately $1.4 billion. This represents 9.7 times trailing EBITDA, or an 8.7 times multiple when factoring in the expected cost synergies, which I'll discuss in a moment.

We expect the close to occur before the end of the year. We do not anticipate incurring significant issues obtaining the standard approvals, save for some of the overseas jurisdictions in which Diversey does business, so that does suggest the close in the fourth quarter and before year end. We are pleased that the transaction was approved by Diversey's principal shareholders, and we expect the transaction, as I said, to have a clear path to closure this year.

Turning to slide 32, I'll review some of the highlights of the transaction. We do expect the transaction to be accretive, expanding our sales opportunities in both organizations as we execute on existing growth programs. The combined Company is expected to benefit from expanded gross margins, as both our position to leverage existing global infrastructures. Both Sealed Air and Diversey have considerable long-term margin growth opportunities as both organizations have completed a number of optimization initiatives. These initiatives should drive operating leverage as volumes increase and capitalize on the extensive installed base of systems sold globally.

The Company profile and value creation opportunity are two of the primary factors that attracted us to Diversey. We expect additional margin expansion from cost synergies, which we estimate to be annualized at $50 million per year over the first two years of the transaction. We expect to achieve $30 million in the first full year after close. Cost synergies are expected to result primarily from SG&A savings, and the cash cost estimate to realize the synergies is expected to be approximately $35 million over this two-year period.

Our assessment is that the integration risk is low. Thus the synergies are expected to be realized quickly, and we expect the transaction to be accretive to earnings per share before adjusting for transaction related charges. We also expect the transaction to be accretive to free cash flow. Over the next six to eight weeks, we'll be preparing detailed pro formas to be filed with our required SEC Form 8-K. At that time, we will have a better grasp of the purchase accounting charges.

As we expect to achieve returns above our cost of capital and expect further enhancement in our ongoing margin improvement from existing operational initiatives, we feel the leverage associated with this strategic transaction is appropriate, given the solid cash flow nature of both businesses. In fact, we expect to generate a strong annual free cash flow in excess of $400 million, which would allow us to steadily deleverage post closing. Our goal is to reduce leverage to two to three times net debt to EBITDA, a ratio which we feel is a good range for our profile of business. This will also enhance our financial flexibility, pursue additional strategic growth opportunities, and continue to return cash to our shareholders through our dividend program. Our goal is to operate for the long-term with an investment-grade profile.

Moving on to slide 33, we have a commitment from Citi to structure $4.5 billion of financing, which provides ample liquidity both to close the transaction and to run the Company on an ongoing basis. The financing includes a $750 million global revolver, which will be undrawn at close, as well as $3.8 billion of funded debt at close. We believe that we will be able to raise this debt at attractive rates, given today's historically low interest rate environment. The pro forma net debt to EBITDA ratio will be close to 4.4 times at closing, but we are expecting to deleverage approximately 0.5 to 0.75 of a turn per year by using free cash flow. Our previously stated goal of two to three times net debt to EBITDA remains in place. With no maturities until 2013, a strong balance sheet and solid reserve cash positions, this transaction has no impact on our ability to fund the W. R. Grace settlement when it becomes due. In fact, we expect to have approximately $700 million of cash and cash equivalents on our balance sheet it at close, essentially rolling forward Sealed Air's current cash position.

Turning to slide 32 -- turning to slide 34, you'll see that the combined Company will have an attractive EBITDA profile of greater than $1.2 billion while maintaining our modest CapEx requirements in an asset light profile for each organization. Now I'd like to turn the call back to Bill for some concluding remarks.

Bill Hickey - *Sealed Air Corp - President, CEO*

Thanks, Dave. Before I wrap up, let me just restate that I am really excited about the new combined Sealed Air. The transaction gives compelling growth opportunities for both organizations. It enhances our level of differentiation, our ability to accelerate sustainable solutions and services, extends each Company's geographic reach, especially in the emerging markets of the world, and the ability to add measurable value to new and existing customers in the area of hygiene, product protection, food safety, and food security. These topics are key megatrends which are driving demand among our customers and Diversey's customers for new solutions and greater expertise worldwide today. The transaction is shown on chart 35, is attractive at current valuations, and offers solid value creation for our shareholders today and in the longer term. We hope that you share in our excitement and the future of the combined Company and look forward to welcoming you as shareholders of the new Sealed Air. With that, I'd like to open up the call to any questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of George Staphos of Bank of America Merrill Lynch.

George Staphos - *BofA Merrill Lynch - Analyst*

Thanks. Hi, guys. Good morning, and good luck with the transaction. I guess I had a couple of questions, and I would go back to the slides where you showed where Sealed Air is where Diversey and vice versa. With acquisitions of this nature where revenue synergies are so important, isn't the goal to be in places where the acquired Company or the acquiring Company is not so that you get more leverage as you hit ultimately mutually targeted customers? I'm trying to see where the revenue synergy will come, since you're in both customer markets, if you will, with leading positions in both cases.

Bill Hickey - *Sealed Air Corp - President, CEO*

Yes. Let me answer that quickly, George, is that actually, in terms of the food segment, if you look at Diversey's broad range of segments they participate in, food is one of their lower penetrated segments, and it's actually one of our more penetrated segments. So it to look at where the nearer term benefits regarding the top line, it's Sealed Air's leveraged strength and presence in the food processing segment is much stronger than Diversey. Diversey was particularly strong in building contract and maintenance and lodging and some of the others, but in food is an area where the Sealed Air relationships are the place where we intend to bring in the new products for the opportunity for the revenue stream.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay. Second question I had is if I look quickly at Diversey's financials, I think this is correct given what you showed as a pro forma free cash flow, it looks like free cash flow the last couple of years out of Diversey was only $40 million or $50 million, kind of a 1% to 2% free cash to sales ratio. Sealed Air, over the last couple of years, has been very close to $400 million of free cash flow on its own. So I guess the question is why do you pay 10 times EBITDA to add what is right now a less free cash accretive business?

Bill Hickey - *Sealed Air Corp - President, CEO*

Okay, yes. I think -- I'll let Ed start on it because Ed has run this business and taken it from a -- through a change in itself, and as Ed said, this business has been through a change in the last several years where he's divested over $700 million of less profitable product. And I'll let Ed take it from there, George.

Ed Lonergan - *Diversey - President, CEO*

Hi, George. If you go back through the last five years at Diversey, we've been on a journey. And from 2006 to today, as I mentioned, we've divested a significant number of businesses, impacted a significant number of employees in that process, so the restructuring costs, reducing the number up last plants by about 26, and headcount particularly in the European region had a dramatic impact on free cash flow. Those restructurings are generally behind us at this point. But there are limited requirements still to address those. In fact, they've been reserved for over the last two years. So you see this year and in 2010, the impact of that in the free cash flow of the Company.

George Staphos - *BofA Merrill Lynch - Analyst*

All right. Last question and I'll turn it over. Bill, if we go back, a lot of the things you mentioned with Diversey, as scale, global reach, systems approach, were the same terms that were used for Cryovac. And the last 10 years, we've have to go through a recession,. There's been significant raw material inflation. But Sealed Air's EBITDA has basically between $675 million and $750 million over the last 10 years on adjusted basis given our analysis. Why do you think this is now the better use of capital as opposed to perhaps other uses, other forms of returning a higher return on equity, if you will, to your shareholders? Thanks, guys. Again good luck.

Bill Hickey - *Sealed Air Corp - President, CEO*

Sure. Again, George, that's always a challenging question. We've looked at -- we typically and have looked at this as what is the best use for Sealed Air's cash flow? And we actually looked at EPS accretion over a number of years, looking at three different scenarios, one being a transaction like this, and two being other uses of other forms of returning cash through a variety of means. And actually, it if you do the math the way we did the math, and it turns out that it is actually better for returns to shareholders by investing it at a return that's attractive to Sealed Air and attractive to the shareholders and yields over a three-year period higher cash flow and higher earnings than any two alternate scenarios that we looked at.

Operator

Your next question comes from line of Philip Ng with Jefferies.

Philip Ng - *Jefferies & Co. - Analyst*

Good morning. I just had a quick question. It sounds like you've divested in businesses the last few years. It just want to get a better sense for the long-term growth is. And -- that first. And then second question, just on the profitability and margin, how it's set up. Do you guys have contractual passages because your existing businesses have some raw material risk?

Bill Hickey - *Sealed Air Corp - President, CEO*

You're not coming through that clearly, Philip. Could you just -- the second part of the question again?

Philip Ng - *Jefferies & Co. - Analyst*

Yes. Just want to get a better sense of how the contracts are set up. Your existing business has a bit of raw material risk. Just wanted to see if the Diversey business is set up where there's pass throughs and what not.

Bill Hickey - *Sealed Air Corp - President, CEO*

Well, Diversey is a different business, uses a different raw materials stream that Sealed Air does, but I'll let Ed address the pass through issues.

Ed Lonergan - *Diversey - President, CEO*

Yes. Generally over the last number of years, our contracted business has been rebuilt so that we do have the capability to take pricing based on the basket of goods that are included in the materials we sell to our customers. So obviously, in years like this where there is a significant increases in raw materials, that requires multiple increases, on a continual basis, we are able to recover and grow our margins.

Philip Ng - *Jefferies & Co. - Analyst*

You've got a pretty quick pass through for the raw materials side?

Ed Lonergan - *Diversey - President, CEO*

Yes. There's always a slight lag. Generally, we're able to recover pretty quickly. You can look at the 2008, '09, '10 period to see that.

Philip Ng - *Jefferies & Co. - Analyst*

Okay. And then from a longer-term top-line perspective. I know you guys (inaudible) some business of (inaudible). Just wanted to get a better sense going forward.

Ed Lonergan - *Diversey - President, CEO*

As I mentioned at -- this is Ed -- in my comments, I believe our Company is at an inflection point. We've spent the last number of years getting the foundations right, investing in the insights to grow the business. We have some very exciting business models that are in place today. We've announced some significant partnerships just in the last few weeks. I'm not sure if you saw the Synthos/Diversity partnership announced last week to enhance our business in food service in the United States or the Standard Textile partnership announced about two weeks ago to re-enter commercial laundry business in the globe, all with differentiated business models. So we're quite excited about the potential for top-line growth. We obviously have strong exposure to emerging markets. We've seen those markets come back to growth in 2010 and '11, and we are starting to see green shoots in the developed western markets and expect those markets to move as well.

Philip Ng - *Jefferies & Co. - Analyst*

Okay. Thanks, guys. Good luck.

Ed Lonergan - *Diversey - President, CEO*

Sure.

Operator

Your next with income from line of Mark Alter of Credit Suisse.

THOMSON REUTERS

Mark Alter - *Credit Suisse - Analyst*

Hi. Good morning. Thank you very much. Couple of debt questions. Will the Citi debt be secured, any of it, the revolver and the funded debt? And structuring the funded debt, it sounded like you expected to finance that in the public market, or will some of that be term debt?

Dave Kelsey - *Sealed Air Corp - CFO*

We're still fine-tuning the exact structure, but right now, it is a pretty standard structure with some term debt as well as a couple of capital markets transactions, most likely given the combined business, a significant presence in Europe, a euro-based transaction, and then a US borrowing in US dollars. In terms of the underlying security, that's to be negotiated as we complete the bank syndicate, but we'll certainly be following up with information in that regard.

Mark Alter - *Credit Suisse - Analyst*

So it may or may not be secured, and maybe some of your existing debt will be secured?

Dave Kelsey - *Sealed Air Corp - CFO*

Whatever the covenants require relative to the carryover to the benefits that come from any new debt that we put in place. So if there are covenant requirements, will certainly comply with those.

Mark Alter - *Credit Suisse - Analyst*

Thank you.

Operator

Our next question comes from the line of Ghansham Panjabi of Robert W. Baird.

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

Hi, guys. Good morning.

Bill Hickey - *Sealed Air Corp - President, CEO*

Good morning.

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

Diversey, just looking at the financials, looks much bigger in Europe than the US. Can you give us some sense as to whether this is some sort of a legacy structure, and should we expect a bigger presence in the US over time, because I assume the market size in the US and Europe are probably comparable?

Bill Hickey - *Sealed Air Corp - President, CEO*

Yes. I'll start and let Ed finish. It is a legacy from an acquisition the Company made in the early 2000s period, where they bought the commercial side of the Unilever business, which gave them a large presence in Europe. And as I was trying to respond to the question from George, early, the Diversey presence in the US is relatively a modest portion of the whole business, and yet, that's the strong place for Sealed Air's food business, so there's where we see the opportunity. I'll let Ed add to my comments on the European business.

Ed Lonergan - *Diversey - President, CEO*

Bill, I think that you covers it pretty clearly. We -- the Unilever business was primarily European and the emerging markets; the Johnson business was primarily the US. And the Johnson business was primarily building care, whereas Unilever was kitchen and laundry and food and beverage. So our US business is not heavily exposed to the kitchen and laundry business today. And the two partnerships that I just mentioned, Synthos and Standard Textile, are designed to address that gap today. And the, more exciting even than that is the potential to leverage our joint scale in food processing and retail and food service in the United States with Sealed Air.

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

Okay. And then on a core basis, adjusting for all the portfolio movement you've had over the last few years, how did the Diversey performed during the downturn? Maybe just give us some colors on both volume and EBITDA on a core basis?

Ed Lonergan - *Diversey - President, CEO*

Obviously, the EBITDA grew over the course of the downturn. That reflected the benefits of the restructuring that we did over the course of 2006 to 2009. As I mentioned, what we saw in the downturn in 2009, and actually we saw it as an industry, not as Diversey, a reduction in growth in emerging markets during 2009, a recovery in emerging markets in 2010, a reduction in growth in developed markets in 2009, and still flagging recovery in those markets in 2011, particularly Europe, which has faced first the southern Europe crisis and then more angst this year around Greece and Portugal, etc. Although we do start to see bright shoots as Europeans go back on vacation.

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

Okay. And Dave, one final one if I could for you, you mentioned the accretive nature of the transaction, and it certainly looks so on both EPS and free cash flow. What kind of interest expense should we think about in terms of cost to debt, blended? Thanks.

Dave Kelsey - *Sealed Air Corp - CFO*

Well, the various traunches will range between the mid-3% range up to 7%, excluding the 12% notes that still have a couple of years left to maturity. So we're looking at a blended cost in the 6% to 7% range when you look at everything that will be drawn at closing.

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

Okay.

Bill Hickey - *Sealed Air Corp - President, CEO*

Is that okay, Ghansham?

Operator

Your next question comes of Peter Ruschmeier of Barclays Capital.

Peter Ruschmeier - *Barclays Capital - Analyst*

Thank you. Good morning. I was hoping you could further elaborate how we should think about organic growth of the Diversey portfolio, to the extent that maybe you could give us some guidance by end market, but just trying to think about drivers of growth, and now that you restructured, what is it without Sealed Air, and then how much of a sweetener do think Sealed Air adds in terms of growth?

Bill Hickey - *Sealed Air Corp - President, CEO*

I'll let Ed talk about that. I mean, Ed and I have talked about this at length during this process, but I'll let Ed address it.

Ed Lonergan - *Diversey - President, CEO*

It's an interesting learning process. We have publicly-traded debt, and have for a long time, but we provided no guidance on growth and haven't for years. I learned that from Jim, I guess. As we worked our plans, our strategic plan for the next several years, we do see a ramp-up in both volume growth and pricing-driven growth on a global basis for the Corporation. I think that, about in line with what Sealed Air has provided in guidance for the coming years, I think combined there's an opportunity to accelerate that, but I don't want to make promises for the two guys sitting here.

Ed Lonergan - *Diversey - President, CEO*

We need to get that message -- and then we'll provide that together.

Dave Kelsey - *Sealed Air Corp - CFO*

Just let me add to that a little bit. We've certainly been sharing with investors the Sealed Air outlook of ramping up our organic growth from a historic rate in the 2% to 3% range to a going-forward rate in the 5% to 6% range, and we see the same transition underway at Diversey. Ed mentioned earlier some of the new initiatives that they're just announcing. They take a while to build up to meaningful dollars, but just like with Sealed Air, there are programs that are recently in the market and additional programs that are in the pipeline. Importantly, those are distinct from the synergistic revenues that we expect to be able to generate as the organizations get more closely matched and we can develop new solutions that draw on the expertise of both organizations.

Peter Ruschmeier - *Barclays Capital - Analyst*

Okay. That's helpful. If I could follow up with a question for Ed, curious if you can elaborate on the capital intensity of your business model and the CapEx over the last couple of years, can you provide some guidance? Was above average or below-average? How should we think about CapEx maybe as a percent of revenues?

Ed Lonergan - *Diversey - President, CEO*

We are not molecule benders, we are molecule blenders. So most of our CapEx is related to dosing and dispensing devices and equipment that we install in our customers' facilities. We spend about $100 million a year in CapEx, and I think our expectation is that that's pretty consistent going forward.

Peter Ruschmeier - *Barclays Capital - Analyst*

Okay. And then lastly, I'll turn it over. I think I understand some of the blue-chip customer overlap and the opportunity to cross sell, but does the cross selling have to overcome perhaps some leakage where maybe you have overlap that some of your customers might look for a third party instead of going from one on one, they don't want to be sole supplied by the combined Company, or is that some not something you think comes into the fray?

Ed Lonergan - *Diversey - President, CEO*

From a Diversey perspective, I don't see that --

Bill Hickey - *Sealed Air Corp - President, CEO*

I don't see that as -- actually, it's more complementary. And it's interesting, I didn't tell the story as part of my prepared comments, but we had an issue with one of our food customers where they actually had contaminated products that they shipped out of their factory, and they came to us and were concerned that perhaps it was the packaging that was responsible for the contamination. We sent some of our food scientists in, and we really went through an extensive process with our customer and they trust they had in us, and we actually concluded that the contamination came from the customer's plant, from their own plant. And what it clearly does is, let's say that we have become a single point of contact for the safety of that food processing operation, from the plant into the package. So my view is we cover the important issues, both inside and outside the package in terms of food safety and hygiene. And it was a great learning experience for the customer, and actually, one of the learning experiences for me that said, there's an opportunity to cross this bridge with our customers as to what happens before the food goes in the package, as well as after and bridging that gap, I think our customers may find very attractive.

Peter Ruschmeier - *Barclays Capital - Analyst*

Very helpful. Thank you, Bill and Ed. Good luck with the transaction.

Bill Hickey - *Sealed Air Corp - President, CEO*

Thanks.

Operator

Your next question comes from the line of Rosemarie Morbelli of Gabelli & Co.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

Good morning, all. Thank you for taking my question. While I can understand the overlap and the combination and the benefits on the food side of the business, I am having more difficulties with protective packaging and Diversey lodging and restaurants businesses. Could you give us a better feel as to how those two are going to be combined, or if there are any synergies in those areas? Or if they are just going to plain run as parallel businesses?

Bill Hickey - *Sealed Air Corp - President, CEO*

Well, they're not going to combine, Rosemarie, but it's an interesting question and one I've spent a lot of time thinking about. The one thing they share in common which is very interesting is our industrial side of our business, and while I say the industrial and lodging side of the Diversey business goes through a common distribution channel. We use these same distributors. Most of the packaging distributors, whether it's Xpedx or Unisource or Bunzl or Kent Landsberg, the variety of names and around the United States and around the world, they tend to deal in packaging as well as maintenance and sanitation supplies. They essentially buy truckloads of this material from Sealed Air, from companies like Diversey, and they fill them to industrial customers. And so we essentially significantly increase our leverage in the distribution channel. If you look at our -- our number three distributor is actually Diversey's number one distributor. Our number one distributors is actually Diversey's number three or four distributor. So in terms of channel, that's where the synergy is going to happen. Rosemarie.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

Okay. Can you give then us a feel for how much of your business goes through the distribution channel? Because the main take is that -- or the most important part is that the fact that you are working in tandem with your customers as opposed to their going out and buying packaging out there.

Bill Hickey - *Sealed Air Corp - President, CEO*

Right. Well, I'd say the minimum number is about 40% of our business goes through distribution, and it's primarily on the industrial side. The industrial side, the protective business, and the shrink film business primarily goes through major full-line distributors, such as Unisource and Xpedx and Bunzl and Kent Landsberg and the very similar names. And those are the people that we share commonly. Those are the people that we both call on today. And interestingly enough, both of us also have relationships at the end users. So although our products may be sold through a distributor, we are directly calling on the Dell or the Hewlett-Packard, on the Ford Motor, we're directly calling on them, and we help pull the product throughout distributors. And the same type of business model will apply to Diversey. And in fact, the relationships we have with end users can also help pull the channel through the distribution.

I was thinking the other day, Rosemarie, is that our protective people are in the industrial plants around the country and around the world every day. And invariably when they're there, they go to the restroom or they meet the janitor or the maintenance people, and they can sure understand what they're buying today, how they're buying it, what their needs are, and pass those needs off to their Diversey counterparts. So we will know what is used in every building and every factory that we call upon around the world.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

And on the Diversey lodging business, in addition to which I was wondering if Ed -- because I missed some of it. I could not get to the slides -- if Ed could touch on those two recent arrangements on the laundry, and I don't remember what the other one was.

Ed Lonergan - *Diversey - President, CEO*

Sure. I can give you a little bit more. Let me add one other thing on the distribution side. About 45% of our business moves through distribution to our end users. And as Bill noted for Sealed Air, it's similar in our space as well. Some portion of that business will be called street business and we wouldn't see the end-user, but the majority is end-users that we connect with. And we are important to those distributors in emerging markets. We are particularly important because our Company established those distributors over the years.

In terms of the two recent partnerships that we've announced, on the commercial laundry side, this is a business that the Company had not been involved in for about seven years in western Europe and the United States. We do have commercial laundry outside those markets. But as part of the work to develop insights and differentiated business models, we have been working a number of years with a partner in the textile business, Standard Textile out of Cincinnati, Ohio. They're the largest producer of terry cotton in the world. And together, we have developed a process for linens that includes a special piece of equipment that makes chemicals on site and a special suite of additional boslter chemicals produced by Diversey, we've taken the application expertise of Diversey and tunnel washers in large commercial laundry facilities and in Standard Textile in linens and combined it. And the clean show in Las Vegas next week, we will show the first US installation of that technology. It has a dramatic impact on the sustainable footprint of a plant, significant reduction in energy use, water use, and waste emerging from the plant, and an extension in linen life. And so as the only such system on the market today, it's successfully working Europe in a number of sites, and we will be rolling out through a joint venture on the global basis.

The second one is a partnership with the Cintas Corporation in America. We noted in our insight work that there is a significant gap in the small and midsize food service in the United States. Cintas has something between 9.000 and 12,000 trucks on the street. We have world-leading chemicals dosing and dispensing systems. We've combined their capabilities in reaching sites and our capabilities in food safety and chemicals, and we announced at the National Restaurant Association show last week that we will put those together in answer to the US market in the next several weeks.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

Are you, and if I may ask, are you going at the market differently in the US and in Europe? I mean, you are obviously the strongest in the New York and Europe, and Ecolab is strongest in the US. Could you give us a feel as to how you are doing things differently in both areas?

Ed Lonergan - *Diversey - President, CEO*

Yes. We are in building care globally, and we are market leader globally. It doesn't matter which market you look at. In kitchen and laundry, we are heavily penetrated in Europe and in emerging markets, but not so in the United States, so some of the actions that we've taken over the last several years are to build our kitchen and laundry business here to serve our global customers. In food and beverage, we are global. We have, as Bill noted, a major opportunity in the United States, but also broadly, particularly in the food processing space. Our solutions tend to be global, so our dosing devices, our chemicals, our machines, our utensils are similar. And the reason is the lodging property in Beijing is the pretty much same as the lodging property New York. Might have a little more marble, but the solutions are the same. So our objective is to take those models and make them global.

Operator

Your next question comes from the line of John McNulty of Credit Suisse.

John McNulty - *Credit Suisse - Analyst*

Yes, good morning. Just a couple of questions. First one on, with regard to Diversey, it's my understanding back in '06 you left the US services market tied into the health and hospitality business, and now it sounds like you're retargeting it. So I'm wondering what's changed in the markets that gives you the confidence to go back to the market again?

THOMSON REUTERS

Bill Hickey - *Sealed Air Corp - President, CEO*

John, good question. Good question. And how much sales did you walk away -- that's part of the reasons sales went down, the exit of the business is how much?

Ed Lonergan - *Diversey - President, CEO*

We give our competitors several hundred million dollars.

Bill Hickey - *Sealed Air Corp - President, CEO*

Several hundred million dollars in sales when Diversey withdrew from the US market. But I think we've got a better mousetrap. I'll let Ed talk about it.

Ed Lonergan - *Diversey - President, CEO*

I think that happened just actually when I entered the Company, and it had been decided before I came to the Company. At that point in time, we didn't have a business model in the United States that worked. We did everywhere else, but that was a decision we made to exit a bad model that we didn't think we could make better. In the last number of years, thanks to all the work we've done insights and product line and solutions, we have better solutions today in which we can make money. And so we have entered in a variety of ways the United States. We have a business branded US Chemical that works through distribution. We've reentered with our Diversey line of (inaudible) and some laundry and kitchen chemicals and now through the partnership with Cintas, aids the broader business market. So we see accretive EBITDA in each of those choices, and a pretty smart way to do business in a market that needs multiple suppliers.

John McNulty - *Credit Suisse - Analyst*

Okay, great. And then just so I understand the overlap, because I'm not quite sure that I do in terms of, say, the hospitality and the food services or lodging industry, when you think about who you are actually selling to, the actual person responsible for putting through the order, are they the same in terms of the different businesses between the cleaning and sanitizing side and the food packaging side, or are they different individuals in different parts of the Company's?

Bill Hickey - *Sealed Air Corp - President, CEO*

I would say the hospitality and lodging obviously is totally separate. On the food side, they're used in the same plants. They're use by the same people. They may or may not be purchased by the same person, depending on whether it's a corporate structure, whether it's a multi-location structure, or whether it's local purchasing. If it's local purchasing, clearly it's the same person. If it's a corporate structure, it's probably within the same organization but may not be the same individual. But the senior people that oversee the operations s have accountability for both. I don't know. You want to add to that, Ed?

Ed Lonergan - *Diversey - President, CEO*

I would say the responsibility of our customers is to protect their brand. And if we can bring combined solutions to the table of the portfolios of the two companies that enhance that capability, then we can talk to anybody. And at the end, the top officers of the operation will make the call. So I'm actually pretty excited about the potential as we've spent more time together going through our product portfolios, innovations, R&D, capabilities, I think there's tremendous opportunity to transform our industry.

John McNulty - *Credit Suisse - Analyst*

Great. That definitely helps to clear it up and make it a little --

Bill Hickey - *Sealed Air Corp - President, CEO*

And, John, one of the interesting things is that you know the Sealed Air offering includes both packaging systems as well as materials, the razor, razor blade. And to the extent we can build self-cleaning capability using Diversey chemicals and Diversey process in our packaging machine, that's another step of productivity and cost reduction for our customers that don't have to do that separately.

John McNulty - *Credit Suisse - Analyst*

Okay. No, that definitely makes sense. And one last question just on the shares, because it's still a private Company, and a decent amount of this is going to be stock. Is there some kind of a lockup on the shares, or how should we think about that?

Bill Hickey - *Sealed Air Corp - President, CEO*

Yes. The shares, actually the two principal owners of Diversey today are the Johnson family from Racine, Wisconsin, which owns a little over 50% of the Company, and the New York private equity firm, Clayton Dubilier Rice. They will receive, plus some small shareholders, 31.7 million Sealed Air shares. They will be subject to registration rights, so they will have registered shares sometime after the closing. And I'm not prepared to speak for them about what their plans are to do with those shares. And that's about all I can say at the current time, John.

John McNulty - *Credit Suisse - Analyst*

Okay. Thanks for the color. I appreciate it. Good luck with everything.

Bill Hickey - *Sealed Air Corp - President, CEO*

We're kind of running out of time here, so we'll only take a couple of questions here.

Operator

Our next question comes from line of Chris Manuel with Keybanc Capital Markets. Chris Manuel, your line is open. Please state your question.

Chris Manuel - *Keybanc Capital Markets - Analyst*

Can you hear me now?

Bill Hickey - *Sealed Air Corp - President, CEO*

Yes, we can hear you.

Chris Manuel - *Keybanc Capital Markets - Analyst*

Most my question has been answered. I just have a couple of follow-ups. As we think about how Diversey goes to market, is it -- it sounds like you had 9000 sales people on the ground today. How many -- do sell through the distributor channel? How do you typically go to market, number one? And my second question is, if I've done my math right, it looks you've got about 7% to 8% global market share in the business. Do need more acquisitions here to gain scale, or do you think you have the product portfolio you want, and could you maybe touch a little bit on what competitive landscape looks like? Those are my two questions.

Bill Hickey - *Sealed Air Corp - President, CEO*

Let me start is that is one the 9000 customer facing people is after the combined Company. Diversey has about 6,500. Sealed Air has got about 2,500. And coincidentally, and serendipitously, we essentially go to market the same way. About 60% of all Sealed Air sales and Diversey sales are sold directly to customers by our salespeople who sell directly to the customers work directly with customer on application. The other 40%, again, both businesses are sold through a distribution channel, one of the major line distributors in the US and other parts of the world where the end-user contact is then also made to work with those customers to find applications to use our products, which are then bought from the distributors. And generally those are the smaller customers that don't have the scale to buy directly from either of us. So combined, it will be 9,000 feet on the street calling on an overlapping base of customers. There will clearly be some customers s that the industrial and the food folks don't call on. There'll clearly be customers on the Diversey side in lodging that don't see Sealed Air people and the other way around, but the parts that mesh together, will really get the benefit of those 9,000 customer-facing people. And going to market in a very similar way.

Chris Manuel - *Keybanc Capital Markets - Analyst*

Okay.

Operator

Our next question comes from line of Al Kabili with Macquarie.

Al Kabili - *Macquarie Research Equities - Analyst*

Hi. Thanks. Good morning. I guess first question is on cash. Right now you are holding a lot of cash on the balance sheet in anticipation of an eventual Grace exit from bankruptcy. How do you see that playing out now with this acquisition? How much cash do you see holding on the balance sheet to satisfy Grace, and how do you -- do you open up a line of credit to satisfy that when that comes? If you could just talk through that.

Bill Hickey - *Sealed Air Corp - President, CEO*

Dave, I think mentioned on his comments, but I'd be happy to repeat.

Dave Kelsey - *Sealed Air Corp - CFO*

Chris, were not -- I'm sorry, Al. Got my -- we got the queue spinning here, Al. As I made note in the comments, we're not going to be dipping into our current cash pool to fund the transaction later this year, so that is still being held in reserve for the Grace funding to the extent that we need to top that cash balance up to get to the total cash amount of the Grace settlement. We're going to have $750 million revolver that we anticipate to be undrawn at closing, so we'll draw on that as necessary to top out the settlement.

THOMSON REUTERS

Al Kabili - *Macquarie Research Equities - Analyst*

Okay. Al l right. Thanks. Sorry I missed that earlier. Dave, I guess another question is on your -- you stated a 15% margin goal, I think in 2000 -- three years or so. I noticed Diversey has a little bit lower margins than Sealed Air, so does that margin goal now change, or how do you see that playing out?

Dave Kelsey - *Sealed Air Corp - CFO*

There are so many similarities between the Companies in terms of the stage we are in, executing our business strategy. It's our expectation that there is significant margin expansion potential for Diversey on a going-forward basis. I think that stair step up to the mid teens is definitely consistent with the kinds of actions that management has been taking in the last several years.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay. And is that operating leverage? And also, if you could clarify on the top line, what percentage of the business is shared common customers that Diversey has with Sealed Air? What percentage of Diversey is a common customer set with Sealed Air?

Dave Kelsey - *Sealed Air Corp - CFO*

Well, I think maybe the way to look at that is that if you look at the part of Diversey's business that is food related and you add that into our two food segments, it's going to be 50% to 55% of the revenue of the total Company. So there is, as that one chart with the logos shows, there is significant overlap of customers within that 50% to 55% of total Company revenue.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay. So is it 25%? I mean, I'm just trying -- because you break out food and beverage and food service, but I'm not clear within those what's the actual common customer set within those categories? I don't know if you have that offhand, but --

Bill Hickey - *Sealed Air Corp - President, CEO*

Just offhand, we'll qualify it later, but it's in the high 38%+ on the food side, and there's that chart there which is the two circles. There's a chart that's in the deck that was on our website that breaks down the three pieces in there. I think it was chart 22. So it's that category in the middle, and my feeling is that it's somewhere in the high 30%s, low 40%s, are common customer today.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay. An d then follow-up with that is SG&A synergies, where do they come from? And then the final question is on the top-line synergies, what's the compelling reason -- they're pretty different product lines, Diversey and Sealed Air, so understanding there is some common overlap on customers, but what's the compelling reason that the customer has to buy two different kind of sets of products from you? Is it bulk savings, volume discounts, lower cost of delivery? How do you sell those top-line synergies? Thanks.

Dave Kelsey - *Sealed Air Corp - CFO*

Let me jump in first on the cost synergies. The combined Companies have almost $1.75 billion of SG&A spend. Clearly, when you put two global organizations together, there will be duplication, and the process we will go through over the balance of this year is to identify the right number of resources and the best resources to do certain roles where we have an overlap.

Bill Hickey - *Sealed Air Corp - President, CEO*

Right. But again as Dave said, it's $1.75 billion of SG&A, and we put, for purposes of this, set a target of $50 million of synergy. So it's a relatively modest component of the Company's total G&A spend. Single digits percent. So as Dave said, with an organization of our side in as many places we are, there are duplications which we'll find a way to rationalize.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay. And then the final one was the top line, the compelling, how do you get a customer to buy what seems to be two very different types of products, understanding it's the same customer, but what's the compelling pitch that would get, that would drive that?

Dave Kelsey - *Sealed Air Corp - CFO*

Before Bill talks on the more strategic opportunity we see going forward, I just want to emphasize that for our valuation purposes, we have not loaded up significant amounts for immediate revenue synergies. The parallels, the opportunities to develop new products is definitely there, but we have not loaded up the modeling effort to get to the end result that we are expecting.

Bill Hickey - *Sealed Air Corp - President, CEO*

Yes. I n fact, if you look at, I think we say somewhere in our documents that it's about $75 million of revenue over three years, which in an $8 billion Company, is relatively modest. But I think the point you're asking about, which is a good point, and as I go through our customers, they may come from different places, but our customers use them in the same place. The customers use them right on the production floor, in the production plant, where, whether they're making cheese or making sausages or whether they're making T-bone steaks, as the customer takes that material, that food component and brings it through their own production process, this surfaces, the handling, clean, sanitary, going into a clean, sanitary package off a packaging line that Sealed Air provided that's clean and sanitary, it comes together right at the critical point where the customer wants to be sure that it goes out the door to his or her end-use customer and stays clean, hygiene, and save, so that through the supply chain, the consumer opened the product in their kitchen or on their table, gets a safe, clean, good-to-eat product. And that coming together at the customers plant floor is where we meet and where we actually link together as a key component of the customers' asset programs.

Operator

Your next question comes from the line of Edward Yang of Oppenheimer.

Edward Yang - *Oppenheimer & Co. - Analyst*

Hi. Thank you for taking my question. Going back to the revenue synergy opportunity, I understand what you're saying, but what's the tangible benefit for, let's say, an Ecolab customer to switch over to Diversey now, now that Diversey is part of Sealed Air? Are you looking to do more bundling or price concessions?

Ed Lonergan - *Diversey - President, CEO*

This is Ed. I'll give you a couple thoughts. First of all, 80% of our marketplace is not Ecolab or (inaudible), and so the tremendous opportunity as we go forward is to continue to pursue share options outside that space. We do tend to share customers with our main competitor. There are very few exclusive relationships in this space, and I believe that the combined solution we bring to the table, particularly as we bring our R&D folks together, our marketers together, we take the insights Diversey's invested and combine it with an incredible R&D stuff that Bill keeps showing me, can create some very powerful solutions. At the end of the day, what will sell is we deliver a better solution for our customer with less impact on the world. And I'm pretty convinced, otherwise I wouldn't be sitting at the table, that that's going to happen in this combination. And my leadership team is fully committed as well.

Edward Yang - *Oppenheimer & Co. - Analyst*

But Ecolab has been a pretty effective competitor against Diversey in the last several years or so, so how does this Sealed Air transaction change that? In the past, I haven't heard either Diversey or Ecolab say that they've been wanting for new business or needed packaging capabilities to address their customer base. So what's different and -- if you're looking to reenter the US market as well, which I think was addressed in the prior question, do you need to reinvest in that business to try to get those revenue opportunities? Again, I'm just trying to understand the revenue synergies.

Ed Lonergan - *Diversey - President, CEO*

I want to be careful. We never fully exited the US market. We just shrunk our business in that space. But our customers, our global customers, assets to be more aggressive in this market place, and so we've found smart ways to do it without diluting EBITDA in the process, and we feel very comfortable that those plans will work. So I think for me, I'll tell you where I am. Being a $3 billion Company in 175 countries has a lot of scale negatives that are solved by being part of a much larger Corporation. I think we can combine resources and operate very efficiently and deliver better value to our customers as a result.

Edward Yang - *Oppenheimer & Co. - Analyst*

Maybe just a final question, and thank you for being generous with your time, maybe a question for Bill. I'm not a packaging analyst. I'm not very familiar with Sealed Air, but would your competitors now look to also partner with someone in the institutional cleaning side, to match your capabilities in response to this deal?

Bill Hickey - *Sealed Air Corp - President, CEO*

Ed, that's a question I wouldn't want to speculate on. I think the opportunity is a unique one. As Ed said, it's still a fragmented space. Diversey and their principal competitor are less than 20% of the market. There's 80% of the market that is pretty fragmented, and the capabilities -- I mean I think you're right. We're going to have to invest in the US market to gain presence back, but we'll also get the benefit of Sealed Air feet on the street that have a great relationships in many of the food processing and many of the food packaging plants around the country. We have people in those plants every day. They know us and they trust us, and I think that feet on the street will help in addition to additional investment on the Diversey part. And I think the thing that we have for our customers are the capabilities. It's not just products; it's the capabilities that our 9,000 people, our application specialist -- interestingly enough, as we compare our technologies, I mentioned in my comment that Sealed Air is the largest employer of food scientists outside the food industry. That's the core of our technology. That and polymer chemistry. And the Diversey side, it's microbiology. And there's a real close link between food science and microbiology, and that's the link that I believe that our customers will pay attention to and notice, because it's a capability that no one else is going to have.

Operator

Your final question comes from the line of John Roberts of Buckingham Research.

John Roberts - *Buckingham Research Group - Analyst*

Good morning. Companies don't sell equipment. Could you give us a sense in terms of how important equipment manufacturing is to both Companies and whether or not there's synergies there internally?

Bill Hickey - *Sealed Air Corp - President, CEO*

Yes. Coincidentally, again, equipment is about 10% of both businesses. It's about 10% of Sealed Air. It's probably reasonably close to 10% of -- a little more?

Ed Lonergan - *Diversey - President, CEO*

A little more.

Bill Hickey - *Sealed Air Corp - President, CEO*

A little more for Diversey, so if both Companies go to model with their razor, razor blade approach, we both either design or manufacture or have equipment manufactured for us by third parties. There very well may be opportunities to develop common chassis, common PLCs, that could be shared across the technology. We haven't gotten there yet, but clearly, it's on our list.

John Roberts - *Buckingham Research Group - Analyst*

Don't you lease a lot more equipment than you sell?

Bill Hickey - *Sealed Air Corp - President, CEO*

We lease -- yes, we lease, we sell, and we rent. We do all three depending on the mix, I know on the Sealed Air side. On the Diversey side it's probably the same.

Ed Lonergan - *Diversey - President, CEO*

It depends on what you're calling equipment. So when we sell a floor machine, we sell the floor machine, and we manufacture those. When we include a dosing and dispensing device as part of our solution, then it's free on loan as part of the offer, and it's there as long as our chemicals are purchased.

Bill Hickey - *Sealed Air Corp - President, CEO*

And the equipment placements and development have really been an important part of both Companies' success and is clearly an area that's important for us going forward. Again, at least on our space, we're one of the few people that can offer that full-systems approach that razor, razor blade. And that's the commonality that the two Companies have, and we will build upon it.

John Roberts - *Buckingham Research Group - Analyst*

Thank you.

Bill Hickey - *Sealed Air Corp - President, CEO*

Okay. I know there are many more calls. We'll try to take them. Amanda Butler is available, and Dave and I are here, but please feel free -- I know there are a lot of questions. I think this is an exciting opportunity. Even listening to your questions just generates enthusiasm in me to let's get this done and get some these solutions out there to so we can show you were actually going to do rather than just talk about it. So we are available for calls, for discussions. Thank you all for participating. And stay tuned, because it's going to be an interesting ride. Thank you.

Ed Lonergan - *Diversey - President, CEO*

Thank you, everyone.

Dave Kelsey - *Sealed Air Corp - CFO*

Thank you.

Operator

Ladies and gentleman, thank you for participating in today's conference call and webcast to discuss Sealed Air's acquisition of Diversey. You may now disconnect.