THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

SEE - Q4 2012 Sealed Air Earnings Conference Call

EVENT DATE/TIME: FEBRUARY 19, 2013 / 4:00PM GMT

OVERVIEW:

Co. reported 2012 net sales of $7.65b. Expects 2013 net sales to be $7.7-7.9b and adjusted EPS to be $1.10-1.20.

THOMSON REUTERS

CORPORATE PARTICIPANTS

Bill Thomas *Sealed Air Corporation - Assistant Treasurer & Interim Director of IR*

Jerome Peribere *Sealed Air Corporation - President & COO*

Carol Lowe *Sealed Air Corporation - SVP & CFO*

CONFERENCE CALL PARTICIPANTS

George Staphos *BofA Merrill Lynch - Analyst*

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

Phil Gresh *JPMorgan - Analyst*

Scott Gaffner *Barclays Capital - Analyst*

Anthony Pettinari *Citigroup - Analyst*

Adam Josephson *KeyBanc Capital Markets - Analyst*

Philip Ng *Jefferies & Company - Analyst*

PRESENTATION

Operator

Good morning everyone and welcome to the Sealed Air conference call discussing the Company's fourth-quarter 2012 results. This call is being recorded. Leading the call today, Jerome A. Peribere, President and Chief Operating Officer, and Carol P. Lowe, Senior Vice President and Chief Financial Officer. After management's prepared comments they will be taking questions.

(Operator Instructions).

Now at this time, I'd like to turn the call over to Bill Thomas, Assistant Treasurer and Interim Director of Investor Relations. Please go ahead, Mr. Thomas.

Bill Thomas - *Sealed Air Corporation - Assistant Treasurer & Interim Director of IR*

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

I would like to remind you that the statements made during this call stating management's outlook or predictions for the future are forward-looking statements. These statements are made solely on information that is now available to us. We encourage you to review the information in the section entitled forward-looking statements in our earnings release which applies to this call. Additionally, our future performance may be different due to a number of factors. Many of these factors are listed in our most recent annual report on Form 10-K, as updated by our quarterly reports on Form 10-Q, 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. Lastly, we have used pro forma results for certain metrics related to the full year to aid in the comparison of our performance to historical combined metrics of Sealed Air and Diversey. These pro forma results are available as supplements on our website. Please note that we will end our call by 12 PM today, with Q&A wrapping up by 11.55 AM Now I'll turn the call over to Jerome Peribere. Jerome?

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

Thank you, Bill, and good morning everyone. I would like you to note that for personal reasons, I had to travel to France and this was not planned, so therefore I am taking this call from France and Carol is in Riverfront, New Jersey with her team. So we ask for your patience as we address your questions during the Q&A section of our call. I would also like to note that Bill Hickey, Sealed Air Chief Executive Officer for the past 13 years, will be retiring effective March 1, and on behalf of all the employees of Sealed Air, I would like to personally thank Bill for his 33 years of service at Sealed Air.

Getting started now, and on slide 2 of our presentation, today marks the first time that we publicly report on our new business segment structure. This change corresponds to how we are managing the business, and is an important next step in the Diversey integration. We have filed an 8-K which will provide you with information on which businesses have been combined to form our new reporting segments. Our Food and Beverage division represents about 49% of our total sales, Institutional and Laundry, 28%, and Protective Packaging, 21%. Additionally, our regions are grouped to correspond with how we view the regions internally. Our regions are North America, which are 39% of our sales, Europe, 33%, Latin America, 11%, AMAT, Asia, Middle East, Africa and Turkey, 10%, which is as adjusted composing of these regions. And finally, Japan, Australia, New Zealand, which account for 7% of our sales. We finished 2012 with $7.65 billion in revenue, with Developing Regions comprising 24% of our net sales.

And moving on to slide 3 of our presentation, I am pleased to report that our adjusted EBITDA was up 17% for the quarter versus the prior year. All of our divisions have had year-over-year improvement in adjusted EBITDA and margin. This improvement was achieved in the face of continuing challenges in Europe, and particularly in Southern Europe. Sales in Europe were down 4%, and down almost 1% on a constant dollar basis for the quarter. France was down 13%, and in fact, 5% excluding are related to foreign exchange, and Germany declined 3%, but this was all on unfavorable currency.

Let me also give you some flavor in the challenges in Southern Europe. Italy was down 7%, 6% FX-related. Spain was down 11%, 5% FX-related. Portugal declined 21%, 5% FX-related. Greece declined 11%, 5% is currency. And we also noticed higher levels of destocking at many of our North America customers during the latter half of the quarter. Fortunately, that trend has not continued, and sales in January support our destocking observation.

Protein supplies in North America also continued to pose a challenge and these challenges are partially offset by continuing growth in developing markets, specifically Latin America, where we achieved 13% constant dollar sales growth and AMAT, with a 9% constant dollar sales growth. And more importantly than just growth, these regions are giving us profitable growth. We completed the sale of Diversey Japan in November and used the net proceeds of $313 million to accelerate progress toward net debt reduction. For the quarter, we reduced net debt by over $480 million.

Our slide 4 summarizes our year-over-year and sequential performance, versus the third quarter of 2012. We continued to achieve positive momentum across a number of key metrics. We are making progress in achieving net sales growth through geographic expansion, developing new and expanded customer relationships, and demonstrating the strength of our sustainability value proposition to customers, which I will talk a little more about shortly. We continued to recognize strong cost synergies. For the quarter, we benefited from $35 million in cost synergies, and full-year cost synergies totaled over $100 million. These synergies resulted from a mix of headcount reduction, elimination of redundant costs, plant consolidations and procurement and logistics savings.

Additionally, we have initiated a range of initiatives affecting our pricing structure and policies across all our divisions, and these initiatives will gain momentum as we go forward in 2013. Although demand increased in Q4 versus Q3, adjusted EBITDA and margin declined sequentially. We incurred approximately $10 million in (inaudible) expense in Q4. We also incurred greater advertising and promotional expenses that are seasonally-higher in Q4 and also expenses in Europe tend to be lower in the third quarter as this is a heavy vacation season.

Let's move now to slide 5. This slide reflects our regions, which cover our 62-country footprint, which continues to give us leading reach and greater opportunity for internal growth than our peers. And we sell into 125 countries. We had very strong growth in Latin America and AMAT which helped offset weaknesses in Europe, and Japan, Australia, New Zealand.

Turning to slide 6. Food and Beverage sales increased 2.4% on a constant dollar basis, with 5.6% organic growth in hygiene solutions, and 1.7% in Food Packaging and Food Solutions. Regionally, we had double-digit growth in AMAT and Latin America, where our established footprint and strong market presence in Brazil allowed us to benefit from the rising beef production rates in that country, and while supplies -- protein supplies in North America have negatively impacted our year-over-year performance, we continue to outperform the industry growth rate.

For the fourth quarter, our North America fresh red meat packaging products increased sales by approximately 2%, compared with an almost 5% decline in beef supply in North America. The gain was partially offset by a 0.7% lower price mix, due to pricing pressures in Europe, and the impact of contract pricing in North America causing us to lag some raw material cost increases in our resins. Adjusted EBITDA increased by 10.4%, and reached a margin of 15.6%, compared with 14.3% in Q4 2011. Adjusted EBITDA margin benefited from higher volumes, cost synergies, expense control, and the multi-year network optimization programs for legacy Sealed Air.

I would like to comment on some of our new product sales for the F&B division during the past year. In 2012, we commercialized over a dozen products that drove new sales across multiple regions. Many of our innovations were driven by customer and consumer demand for greater convenience features on packaging, such as our grip and tear feature on bags, easy open, reclose on roll stock, including our new FoldLOK pouch system and ovenable materials. Among the products we are most excited about are the grip and tear bags. This barrier bag is designed to provide a convenient feature for opening a vacuum package. This product is typically used for in-the-bag merchandising of products that benefit from extended shelf life, and in most cases, the easy-opening feature is accompanied by printed instructions for promotional cooking of the product.

One of the biggest drivers for our Food and Beverage business is the global demand for food safety and security. For example, we eat more meals outside the home, and more foods and ingredients come from all over the world. Our freshness-plus films, combined with our vertical pouch packaging programs not only keep food safe as it travels longer distance, it extends shelf life and maintains integrity of the ingredients. Our vertical pouch packaging program has expanded by near double-digit rate. When you combine programs such as these with the sustainability hygiene solutions of Diversey, such as cleaning plates and PET bottle track cleaning, we bring a very compelling value proposition to our customers, providing safety, operational efficiency, shelf life extension, and product brand protection.

On to slide 7. The I&L division has the largest exposure to Europe of any of our divisions, with almost half of the I&L sales coming from that part of the world. Obviously, the economic situation in Europe, particularly Southern Europe, is offsetting the good news that we have in other parts of the world. Consumer brand sales have declined 31% for the quarter, with sales in Europe declining 21%. Machine sales in Europe declined 4.3%, but 17.1% in Southern Europe. Overall, net sales increased 2.4% on a constant dollar basis, with 0.7% higher volumes and 1.6% higher price mix, but was flat on a reported basis, due to unfavorable currency translation. Volume growth was most significant in Latin America, with new customers in Brazil and Mexico and AMAT, particularly in China and India.

North America had a very strong Q4 2011, due to a major consumer brands push, making for a difficult year overall comparison. Even so, North America had some new business in the healthcare sector, business that we won from some of our larger competitors. On that note, I'm very happy today to announce that we have an agreement in principle with one of the largest global hospitality chains, with a few thousand hotels, to be their nominated hygiene solutions supplier globally. The majority of the hotel rooms for this new customer are in the US, and this agreement demonstrates our commitment to the growing global hospitality industry and exemplifies our agility to meet our customer needs, no matter where they are in the world. Most importantly, I believe it demonstrates the trends of our sustainability value proposition, providing solutions, that among other things, deliver consumers higher operational efficiency and reduce waste. This is clearly just one of many examples of the potential we have in this Company, and shows how sustainability can be a great competitive advantage, when you can demonstrate cost and performance on top of sustainability.

And finally, let's talk about the Protective Packaging division on slide 8. Sales increased 1.5% on a constant dollar basis with higher volumes, partially offset by lower price mix and unfavorable currency translation. Volume growth was 4.8% in Latin America, and expanded market presence and trends in e-commerce applications, which showed solid performance during the holiday shopping season, resulting in 4.4% growth in North America. Our packaging system, products like three layer inflatable void fill and inflatable bubble cushioning, and mailer solutions are ideally suited for faster growing e-commerce and third-party logistics applications. We have a new product in shrink film, with microlayer technology enabling higher performance films. This product results in lower total cost for our customer and an improved environmental footprint.

We experienced volume challenges, particularly in Australia and New Zealand, where, largely due to the impact of a stronger Australian dollar on exports out of that region, as well as slower demand out of China. Competitive pricing pressures also negatively impacted the performance of Protective Packaging in Q4, as many of our competitors did not move to recover raw material cost increases. We are taking action to recover our material cost increases, and all of the Sealed Air businesses understand that I consider it unacceptable not to cover these cost increases. And now I will turn the call over to Carol Lowe, our CFO, to discuss fourth-quarter financial results in more details, and highlight our outlook for 2013. Carol?

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

Thank you, Jerome, and good morning, everyone. Before we review the remaining slides in our earnings call presentation, I would like to note we will make available a quarterly summary for 2012 of net sales and adjusted EBITDA by our new segment structure. This information will be made available by the end of this week on our website.

If you are following along with our presentation, slide 9 summarizes our consolidated adjusted EBITDA performance. Q4 year-over-year constant dollar adjusted EBITDA improved 17% on $51 million in volume increases, which contributed $17 million to adjusted EBITDA, and $35 million in cost synergies, as previously highlighted by Jerome. These year-over-year favorable impacts were partially offset by a negative price cost spread of $11 million, higher operating expenses, and additional resource investment in high growth developing regions. While we achieved volume growth and favorable currency impact in Q4 as compared with the third quarter 2012, our adjusted EBITDA and related margin declined modestly on a sequential basis.

Jerome noted the $10 million in additional SARs expense in Q4 resulting from the increase in our Company's stock price during the quarter. The additional sales and marketing expenses were also approximately $10 million in the fourth quarter. I would like to note that -- $10 million increase from Q3 to Q4. I'd also like to note that Q4 and our full year benefited from a reduction in our core effective tax rate. Full-year 2012 adjusted earnings per share benefited by approximately $0.04. The core tax rate was reduced by some year-end transactions, which will also lower our core effective tax rate in the current year.

Turning to slide 10, you will note that Q4 continues to be a strong cash flow quarter. Adjusted free cash flow from continuing operations was $266 million for the quarter, and $405 million for the full year. Full-year 2011 adjusted free cash flow was $318 million. A reduction in net working capital was a primary source of cash for the quarter, with inventory reductions accounting for approximately $125 million, partially offset by a reduction in accounts payable. Working capital improvement resulted from targeted programs to reduce inventory and normal seasonal patterns in receivables. Accounts payable balances declined during the quarter, in concert with our inventory reduction.

Working capital was a use of cash for the full year, with a modest increase in receivables, and a decrease in accounts payable, more than offsetting the $41 million decline in inventories. Foreign exchange translation had a $14 million unfavorable effect on full-year 2012 performance. We have programs in place to achieve working capital improvements in the current year, as part of our focus on improving cash flow. Capital expenditures of $124 million in 2012 were roughly equal to those in 2011, with capital investments representing 2% or less of sales in both years. Our capital expenditures have been less than our depreciation expense of $170 million in 2012, and $147 million in 2011. I will speak to our need for slightly higher investment in 2013 when we cover our outlook.

Moving on to slide 11. Cash and cash equivalents were $680 million at the end of the year, an increase of $140 million from September 30. As of December 31, we had total cash and committed liquidity of $1.5 billion, and our net debt was $4.8 billion. Net proceeds from the sale of Diversey Japan of $313 million were used, along with the cash flow from operations, to reduce our net debt in Q4 by $483 million. As you think about 2013, please remember that we tend to use cash during the first half of the year and generate cash in the second half of the year.

In the fourth quarter, we refinanced a portion of our term loan, resulting in annualized cash interest savings of $6 million. We also refinanced our 5.625% senior notes, which were scheduled to mature this July, with $425 million of 6.5% senior notes that mature in 2020, thus reducing our near term funding requirement and smoothing our debt maturity schedule. We have included our new debt maturity ladder as an appendix to the presentation. We will continue to look to the market to opportunistically extend our maturities and/or reduce our interest rate. We continue to plan to use our excess cash flow to pay our dividend, reduce debt, and prudently invest in the business.

Slide 13 highlights our outlook for the current year. While our top line growth outlook is tempered by flat to negative GDP growth projections for Europe, and low single digit growth estimates for the United States, we are estimating 2013 net sales in the range of $7.7 billion to $7.9 billion, which compares with the $7.65 billion net sales for 2012. Our focus on quality of earnings improvement is estimated to realize adjusted EBITDA in the range of $1.01 billion to $1.03 billion. Adjusted earnings per share is estimated in the range of $1.10 to $1.20.

We continue to estimate the total restructuring program benefit will be between $195 million and $200 million through 2014, an incremental benefit of approximately $90 million in 2013 compared with 2012. I would like to remind you that we have a heavy employee base, and part of this $90 million in savings over 2012 from the restructuring programs will be used to fund inflationary costs for that employee base of approximately $50 million to $60 million. Our free cash flow, defined as cash flow from operating activities less capital expenditures, is estimated at approximately $300 million to $350 million in 2013. This estimate is net of approximately $70 million in restructuring payments. You should compare the $300 million and $350 million with free cash flow of $280 million in 2012.

The $405 million of adjusted free cash flow presented on slide 10 excluded approximately $80 million of restructuring charges, and other balance sheet changes of approximately $40 million. 2013 estimated free cash flow will also be impacted by higher capital expenditures, as compared with 2012. As I previously noted, our capital investments have been 2% or less of sales for several years, and our spend has been less than depreciation expense. In 2013, we estimate capital spending of approximately $160 million, which will include investments for targeted strategic growth as well as cost reduction projects. Our capital spending will also include approximately $20 million related to the roll-out of our ERP system to certain legacy Diversey operations. This roll-out will be a multi-year project, with completion estimated for 2015. Our interest payments are estimated at $320 million, and our core effective tax rate is estimated at 26% for the current year.

I would like to also briefly comment on potential impact of the recent devaluation in Venezuela. We estimate the 32% devaluation announced by the Venezuelan government on February 8 will result in a loss of approximately $10 million to $15 million in the first quarter, and that is a pre-tax loss. And that's mostly due to trapped cash balances that are held in local currency. The outlook I just described does not include this potential loss, as it would be an add-back as not normal operations, in the way we present adjusted EBITDA and adjusted earnings per share. We, like other companies with business in Venezuela, have been challenged in ways to minimize our exposure to the fluctuations in that economy, particularly with cash balances.

We could have operational losses related to the currency devaluation, but that impact is unknown at this time. Our total annual sales in Venezuela are less than $50 million, and that was prior to the currency devaluation. I'd also want to highlight, though, that they are profitable sales with double-digit margins. Before turning the call back to Jerome to lead the Q&A, I would like to note that we have included in the appendix of the presentation a summary of our 2012 adjusted earnings per share calculation for your reference, to assist in how we go from our adjusted EBITDA to our adjusted earnings per share number. And now I'll turn the call back to Jerome. Jerome?

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

Thank you, Carol. Operator, you I would like to open the call up to any questions from the participants.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question today comes from the line of George Staphos from the Bank of America. Please proceed, sir.

George Staphos - *BofA Merrill Lynch - Analyst*

Congratulations on the progress, and good luck this coming year. I guess, first question I had, you mentioned in the press release, you're going to be aggressively managing the cost structure and also, paraphrasing here, you're going to be even more decisive in taking action on pricing. Directionally, we know what you mean by that, but could you give us perhaps a bit more color where you need to do the most work on both areas, relative to your various segments? Then I had a follow-on.

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

Good morning, George. Thank you for your question. So, two questions. The first one is on the cost, the second on the pricing. With regard to the cost, we are not done with our cost synergies. You have noted, or in the documents it is written that we have approximately another $90 million of cost synergies to go. So that's one.

The second, and continuing on this, Europe is going to have around zero GDP growth in 2013. I don't know what you think 2014 is going to be, but I think it's going to be many years before Europe comes back and enjoys a 2% GDP growth. As a result of that, and given our employee base and our structure, we need to make sure that we remain cost-competitive, which means that we will need to make sure that our costs don't over-inflate, compared to the size of our growth potential, which by definition is going to be limited.

So with regards to pricing, my observation is that we feel Sealed Air has not been a price champion and has not necessarily been paid for its IQ. And if you allow me a second here, we are not a food protein bag seller. We are not only a Protective Packaging product seller. We have a lot of IQ. Our people design plants with their customers. They apply lean Sigma technology to help shape the plant, the equipment, and finally, commercialize products, because we produce equipment also. We're not rewarded for this. So that's one side of our pricing, which I think that we need to understand better, and the reason why I say that is that either the customer values those kind of IQ and we need to be paid for it, or they don't. In that case, we need to stop serving them with this kind of service.

And then next to that, you have the inflation or volatility of raw materials. And here I come from an industry where -- that I know pretty well, which was more basic integrated, and where the ethylene prices and the propylene prices at the beginning of the year 2000, they were slowly moving up and down. That's not the case anymore. Now, raw materials, ethylene, ethane, propylene, propane, et cetera, benzene, et cetera, they move very quickly. We can't give the price protections that we were having. We need to be very diligent in passing those, because we just simply don't have the margin to absorb them for a period of time. So my motto there is, the leader leads. We need to be prepared to lead in pricing when we lead in the market.

George Staphos - *BofA Merrill Lynch - Analyst*

My follow-on would be, do you feel you have enough intelligence at this juncture in terms of your competitive positioning, the value-add that your products are bringing to your various customers and their verticals, to go with pricing and not disadvantage your business, not lose market share that you ultimately wouldn't want to lose. Ultimately there will be some mistakes in the process. How do you feel about your intelligence at this juncture? Thanks, and good luck in the quarter.

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

Thank you very much, George. I would conclude by saying that there are tools, there is technology to assess pricing and by definition, nobody wants to make stupid mistakes. We want to be prudent, but again, if the leader doesn't lead, then there are issues. And I believe that, it's called profit curves. Those are models that we need to work on, et cetera. I don't think it needs to be necessarily confrontation.

We are entitled to get reinvestment, to have reinvestment economics. This is normal. And everybody wants strong suppliers, and in some segments, we don't have reinvestment economies, and we need to be better at that. Thank you very much for your question, George.

George Staphos - *BofA Merrill Lynch - Analyst*

Thank you.

Operator

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

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

Can you give us some parameters on this new operating segment structure you have for your units, on how we should think volumes as we look at 2013 versus 2012? I guess there's a lot of -- you touched on the protein supply for example on the food side. There's also a meat contamination scare in Europe, wondered if that's also factoring into your outlook there?

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

Why don't you start, Carol, and I'll talk about Europe meat contamination.

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

Ghansham, if you're asking about a breakdown by region for 2013, we're not providing that specificity. What we will say is that for the European region, we expect, as Jerome commented, flat growth. The economy there will be flat to negative as been published for North America, specifically with the United States, less than 2% growth there. We think we'll slightly outperform what the GDP growth will be for North America.

We are projecting that we will have nice growth within the developing regions, within the Latin America countries, specifically with Brazil, and then with what we classify as AMAT, which is Asia, Middle East, Africa, and Turkey, that we will have solid growth rates there. Typically, within the developing regions, we'll see high single digits to lower double digits. So those would be our expectations.

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

Okay.

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

Does that answer -- address your question?

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

Yes. And then the contamination issue, Jerome?

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

The contamination, you can imagine that we're following this from very close. We are constantly talking with our leading customers, and at this minute, it looks like the most affected food segment is the prepared food. Luckily enough, we are small in the prepared Food Packaging segment.

THOMSON REUTERS

So we are not that worried about an immediate impact. There is some potential speculation that there might be an increase in the fresh meat and in the freshly-packed meat in supermarkets, but we're not anticipating this at this point in time. But I hope this gets you some help.

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

And just as a follow-up, kind of piggybacking on George's question, if you kind of think about the EBITDA bridge, 2013 versus 2012. You gave us some parameters, right? Volume, synergies. If you look at price cost specifically, do you expect that to be positive, neutral or negative for 2013 versus 2012? Thank you.

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

Well, our objective is to recoup at least our of cost increases.

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

Thank you.

Operator

Your next question comes from the line of Phil Gresh of JPM. Please proceed.

Phil Gresh - *JPMorgan - Analyst*

First question is, just as we think about the resegmentation of the businesses, and I look at the EBITDA margins of Institutional Laundry versus Food and Beverage and Protective Packaging, and George was asking about the cost versus the pricing elements. I'm just kind of wondering how you feel about what levers you have available within that business to improve your margins? Do you feel like pricing needs to be a big element of that, or do you feel like it's cost savings, or is it a business that's structurally going to be lower than these other businesses, just some color on how you're thinking about it? Thanks.

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

Thanks, Phil, for your question. So I&L, I&L is having clearly an acceptable EBITDA margins at this point in time, and, therefore, we are working on several fronts. Number one, we're working on our cost structure, specifically in the geographies where we're most exposed, which is the European region, and as a result of that, and given the cost of delayering in Europe, you know that this is something that we are taking -- that we're making, but we're making it carefully.

Second, we are accentuated our growth in emerging countries. We are very satisfied with the progress that we're making in Asia, Middle East, Africa, and Eastern Europe, with our growth in I&L, including also in Latin America. We're doing very well. We have double-digit growth in most of the places where we are operating, and most of the time, we are gaining market share. And this is where you're going to see us continuing to make this proportional investment.

And finally, no, I do not expect to be aggressive on price, because I don't think pricing is the solution. I think that we are going to be making a lot of progress, as soon as we can convince our customers, that we have critical mass and that we are a credible alternative to what their current solution is. and when we have them, that we can continue offering them improved, better solutions than the ones we're currently offering them. This is therefore going through convincing that we have critical mass everywhere, and that we have improved and better sustainable technology, because we do have, compared to our alternatives, we believe better and improved sustainability solutions, and as a result of that we expect that we are going to be growing. So it's not cost, cost, cost reduction. It is specifically more of that in the places where we believe we unfortunately cannot count on growth to help us. There is disproportionate investment where we believe we have the competitive advantage and where there is growth, and it is also sustainability which we count as being our enhanced value proposition.

Phil Gresh - *JPMorgan - Analyst*

That's very helpful. Thank you. My follow-up question is just on the red meat side. There's significant out-performance there in the fourth quarter and is that something you see as sustainable in 2013, and what would you say are the key drivers of why Sealed Air is doing so well in this area?

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

So, a mix of several things. Number one, we're coming back, you have negatively reacted to our second quarter, and this might have been an over reaction. We believe that our products, stewardship, our innovation, and those kind of things are enabling us to more of the kind of margins that you're asking in the third and the fourth quarter, than the ones that you have seen in the second. That's one. So back to normal I would say. Second, we have introduced new products which have a lot of traction. Third, we are not only red meat-dependent in our Food Packaging business, but we are also providing vertical pouches which are very good solutions for our customers. Third, we have in our Food and Beverage division that you see now, we have nicely grown in hygiene solutions, which is an important business of which we are actually working strongly in improving its quality and we're making good in-roads in several parts of the world.

Phil Gresh - *JPMorgan - Analyst*

Okay. Thanks a lot. I'll turn it over.

Operator

Your next question comes from the line of Scott Gaffner from Barclays. Please proceed.

Scott Gaffner - *Barclays Capital - Analyst*

As part of your discussion around being able to push for price, because you do offer a total solution to your customers, one of the things that you've been known for, for quite some time, is your spend on R&D, I think about 2 percentage points -- 2% of sales going toward R&D. Do you think that's a sustainable level going forward? Do you need to spend that much in order to create these products, and maybe you could kind of talk about that in the future where we could see that level of R&D spend go?

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

We will tell you much more about this when we have our Investor Day. We haven't picked the date, but it is going to be end of second quarter or sometime in the third quarter. So you will have a full exposure to this. Now, level of R&D is -- we're not going to give justice to it right now, in a minute or so. My view is that innovation, successful innovation ensures your future in order to decommoditize.

My view of a specialty product is that it is simply a product on its way to commoditization, which means you need to renew your portfolio with successful innovations. We do have some amazing innovation in there, which we are introducing, which we're pushing and I could name several, but I'm not going to start that journey because of lack of time. We're spending about $140 million in R&D in this year. Is it too little? Is it too much? I haven't decided.

What I want to first measure is the productivity of our R&D. And it's not necessarily a question of dollars. It's a question of quality. I want to make sure that in every single segment, which means in every single of our divisions, we have best-in-class R&D, which allows us to bring the solutions that our customers need, and they are in products, or they are in systems and they are here in order to surprise our customers with those which makes them win, so we have to add value, and I am constantly hammering on this trilogy, which is the three-legged stool of sustainability, cost competitiveness, and performance. And the new innovation is a great innovation if it answers those three questions favorably.

Scott Gaffner - *Barclays Capital - Analyst*

Thanks.

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

We will talk more about that.

Scott Gaffner - *Barclays Capital - Analyst*

Look forward to the Analyst Day. The other question is around the growth investments. I think mostly Institutional and Laundry, you added a number of salespeople in 2012. Can you talk about how much you spent on new sales, on those growth investments in 2012, and how much we should expect you to spend in 2013? And then maybe when we should see the benefits.

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

I don't have exact numbers. I'm going to make some comments, maybe Carol can add that. But yes, we are adding some salespeople in some parts of the world, because we do believe that we have critical mass and a competitive advantage. We are adding some in the US, because of the contract that I just announced and we are going to execute flawlessly and as a result of that, we are going to be able to again surprise positively our customers in I&L with this specific contract. We're also adding in some parts -- some other parts of the world where we are seeing growth, and as I said, we're expecting double-digit growth in most of the emerging countries.

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

So as a follow-on to that, Jerome, the EBITDA bridge that we included in the earnings slide deck, the $22 million negative as you do the EBITDA bridge for SG&A, that includes a little less than $10 million in additional resource investment, and most of those resource investments have been made within developing regions, and primarily within AMAT. We have also, for the I&L business, added some number of resources to support growth within North America for specific market sectors.

Scott Gaffner - *Barclays Capital - Analyst*

Thank you.

Operator

Your next question comes from the line of Anthony Pettinari from Citigroup. Please proceed.

Anthony Pettinari - *Citigroup - Analyst*

When we look at your EBITDA and sales guidance for 2013, versus your results in 2012, the midpoint of your outlook appears to assume very little margin improvement, and given the pricing actions you're taking and some of the cost reduction, is this potentially conservative? And then looking at I&L specifically, given your you view that margins there are unacceptable but understanding restructuring can take time, should we think about margin improvement in I&L as more of a 2014 event, or can you talk about the potential to improve I&L margins in 2013?

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

Well, you have noted that we have changed our President of I&L. She is assessing the whole situation, and already starting to take some decisions. So this is a business which has been suffering from probably too many changes in ownership over the past few years. So step one is to stabilize. Step two is to turn it around. I am optimistic, but I'm not going to go and say that it's going to happen in six months. I think year 2014 is a good timing, Anthony.

Generally speaking, I would say that the reason why I want to take some very firm positions on pricing is that I have observed that over time, they have lost EBITDA including through lack of pricing momentum. My view is that we need to be firm on this, because we are adding a lot of value to our customers, including from the aspects that I talked about earlier, helping in some engineering, selling the best-in-class equipment, including in vacuum chambers and vacuum equipment, et cetera, best-in-class. We have huge market shares on those and we are potentially not valuing all of this properly. At the very same time, and you'll understand that those kind of things are some kind of cultural changes that take also a bit of time. The reason why I'm so emphatic on pricing at this minute is that some of our colleagues in the polyethylene industry and polypropylene industry and polystyrene industry have been jacking prices in a quite substantial way in January and want to do the same in February, and these are big increases that we need to pass on. And before getting margin expansion, you need to prevent having margin contraction, and this is why I'm saying that this is very important.

Anthony Pettinari - *Citigroup - Analyst*

Okay. That's very helpful. And then maybe just a quick question for Carol. Carol, you referenced the ERP spend, $20 million in 2013 and the project ends in 2015. Did those ERP costs ramp down through 2015 or how should we think about CapEx potentially in 2014 and 2015 from an ERP perspective?

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

They would be about consistent to potentially slightly larger in 2014, with not as much spend in 2015 because we will be wrapping up the implementation at that time. We are also benefiting from the fact that we have a significantly well-trained workforce internally that implemented this ERP in prior years across Sealed Air so we're able to leverage our internal IS team as opposed to having to rely a lot on external resources for the implementation, so we feel like we'll be able to tightly control the spend for the total implementation of the project.

Anthony Pettinari - *Citigroup - Analyst*

Okay. I'll turn it over.

Operator

Your next question comes from the line of Adam Josephson of KeyBanc. Please proceed.

THOMSON REUTERS

Adam Josephson - *KeyBanc Capital Markets - Analyst*

In terms of the EBITDA bridge from 2012 to 2013, of the improvement you're assuming, can you give some sense of you of how much is coming from FX, how much is coming from synergies and volume growth, and what some of the offsets are such that the $25 million-ish of improvement that you're guiding to?

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

I guess we had commented that we will have about $90 million in synergies and I also noted that based on our current workforce size, that we spend about $50 million to $60 million on an inflationary basis representing compensation increases as well as benefit cost increases, so that's utilizing a good bit of those synergy savings. We haven't really commented specifically about volume, let's say low to mid -- low single digits. If you want to think about it in total, I previously gave comments on one of the questions, how we were looking at it relative to each of the regions. So from a currency perspective, what we have estimated or what we used, if you want to use the Euro as a proxy, we're using $1.27 Euro/US dollar comparison, and as the rate, and then for the full year, I'll check my notes to see where we ended up. I know for Q4, we were slightly -- I think we were about $1.29 is where we would have ended the year and that was about the average, a little bit less than that for Q4, so you could use that just as an estimate from a currency impact.

Adam Josephson - *KeyBanc Capital Markets - Analyst*

Got it. Thanks, Carol. Just one follow-on. You have the $90 million of incremental synergies, partly offset by the higher labor. Is there anything that would enable you to offset that labor inflation in subsequent years post the synergies?

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

I think as Jerome commented, that we do have a focus on lean Six Sigma, continuous improvement. We'll always be looking at cost structure and I think he also provided color specifically to the I&L business. So we will always look at a way to make sure we're covering our inflationary cost as best we can.

Adam Josephson - *KeyBanc Capital Markets - Analyst*

Great. Thanks a lot, Carol. I appreciate it.

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

The answer here is that we have to. We are a manpower intensive company, over 25,000 employees with $8 billion of sales, this is very clearly a man-power intensive Company. Some are in manufacturing and supply chain and that's fine. It's normal to produce what we produce. The others are in the service business. When you're in the service business, you need to get paid for the service, and therefore, it is very key that to expand margin, we get paid for these improvements of productivity that we need to get.

Adam Josephson - *KeyBanc Capital Markets - Analyst*

Thank you both.

Operator

Thank you. Your next question comes from the line of Philip Ng of Jefferies.

Philip Ng - *Jefferies & Company - Analyst*

Your volumes in Protective was actually noticeably stronger than the last two quarters, I know Q4 is a big e-commerce quarter. So would that mostly be on strength coming from, and when you look out to 2013, do you see some of that flowing through?

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

There is a seasonality in this business. We are making good in-roads in our e-commerce business, and we also have been launching some new shrink films, which are absolutely revolutionary. They have higher clarity. They have lower gauge and extremely performing. This is a great value proposition for our customers and we're having good initial success out of those.

Philip Ng - *Jefferies & Company - Analyst*

Okay. So sounds like there's some momentum heading into 2013. And then, I guess, a follow-up. On the free cash flow guidance for 2013, the $300 million to $350 million, if I heard your correctly, Carol, there's about $80 million in restructuring cash costs. When we look out to 2014, should we expect most of that fading? How should we be thinking about CapEx?

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

So our -- there won't be much in the way of restructuring charges under the current program that you'll see in 2014. It would be less than $20 million, and probably even less -- potentially less than $15 million. It's largely depending on timing of severance, since a lot of the synergy cost savings are related to resource reduction. From a CapEx standpoint, as I noted for 2013, we're estimating $160 million in spend. For 2014, provided we perform in 2013, and are able to continue to reduce our debt, we would expect to not have any less than that investment and hope that we'll be able to have the improvements and the profit of the business to provide not only cash for debt restructuring but also investments. And also just to clarify, the $80 million that you referenced, the 2013 restructuring payments are actually $70 million.

Philip Ng - *Jefferies & Company - Analyst*

Okay. So is that a good way to think about normalized free cash flow going forward when you account for less restructuring cost and CapEx for 2014 and forward?

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

So what we're doing is we want to make it simple for everyone to understand the free cash flow and be able to look at the GAAP financial statements, the cash flow from operations and deduct CapEx. That is a standard definition of free cash flow. And what we will do is call out the unusual items that we are spending cash on, such as restructuring charges. We think that will make it easier. We've had some confusion with some of the non-standard operating add-backs that we do, and we think this will provide better clarity. Yes, you can just follow from the GAAP financials and we will call out the specific items for you to treat in your models the way you decide are best to handle.

Philip Ng - *Jefferies & Company - Analyst*

Okay. Thanks.

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

And I think that's --

Operator

That is all the time we have for questions. Mr. Peribere, I want to turn the conference back over to you for any additional closing remarks.

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

I want to thank you for attending today. We have published those results and our guidance for 2013. We have had the month of January, which we would qualify as being satisfactory. It confirms that there's been some destocking in December, and at the very same time, we are looking forward for achieving the guidance that we have given to you during the pre-call and during this earnings call. We look forward to talk to you in the second quarter, and with this, I'd like to close this conference. Thank you.

Operator

Thank you very much for your participation in today's conference, ladies and gentlemen. This concludes the presentation. You may now disconnect. Good day.