

# Mossberg's Investor Digest

## Best Idea Profile:

## Sealed Air Corporation (NYSE:SEE)

### DESCRIPTION:

Sealed Air offers proprietary total-systems solutions for providers of food safety and security, facility hygiene, and product protection. It operates in the U.S. and 61 countries through three major business lines. Representing half of revenues, Food and Beverage focuses on food safety, shelf life extension and operational efficiency. Institutional and Laundry, with 28% of revenues, provides efficient cleaning methods for building service, food service and health care customers through its Diversey product line. Product Protection, with 21% of revenue, efficiently sends customers' products from the factory floor to their customers, using branded products such as Bubblewrap. Founded in 1960, the company is headquartered in Elmwood Park, New Jersey, and employs more than 26,000 people.

### KEY INVESTMENT CONSIDERATIONS:

**Diversified Revenue and Dominant Industry Positioning** – Sealed Air is the number one or two player in most of its markets and is not dependent on any particular industry or customer for its income. It sells into many more than 400 SIC codes. It also has good geographic reach with one-third of revenues in North America, one-third in Europe and the remainder throughout the rest of the world.

**New Management** – The new president joined the company this Fall in a planned succession. He will add the title of CEO in March 2013. He brings many operational achievements, including spearheading the integration of Dow Chemical's largest acquisition.

**Gaining Financial Momentum** – Although there is no 2013 guidance, management has indicated a focus on profitability improvements that would allow for significant improvement in the 12% EBITDA margin experienced over the trailing twelve months. Combined with anticipated growth in volumes through exploiting its current businesses, there should be visible improvement in next year's results.

**Diversey on Positive Track** – Sealed Air purchased Diversey in 2011 (the second largest acquisition in the Company's history), expanding its presence beyond specialty packaging solutions. The Company announced the sale of its Diversey operation in Japan, which will give it greater flexibility to reinvest in other higher growth regions.

**Focus on Safely Reducing Customers' Costs** – Cost reduction in the corporate environment should continue to resonate with customers and investors. Each business' goal is to create systems that responsibly and efficiently drive costs out of the customer's operations. This is done by optimizing productivity, decreasing waste, cutting energy use, increasing automation, and reducing needless chemical, packaging and food waste.

**Recurring Revenue Stream** – 90% of what the Company's sales are consumables.

### VALUATION:

The stock has rebounded somewhat from its early August low. Price/Earnings ratio based on consensus 2013 estimate is under 13. The dividend yields approximately 3%, providing a cushion to investors willing to see how SEE delivers on its promises of growth.

#### Sealed Air Corp. (NYSE:SEE)

Investment Data (as of 12/16/12)

|                                |                   |
|--------------------------------|-------------------|
| <b>Recent Price</b>            | <b>\$16.13</b>    |
| 52-Week Range                  | \$11.51 - \$21.50 |
| Fiscal Year End                | Dec               |
| Dividend                       | \$0.52            |
| Yield                          | 3.1%              |
| Shares Outstanding             | 194.5 M           |
| Average Trading Volume (3 mos) | 2.9 M             |
| Market Capitalization          | \$3.1 B           |
| Cash                           | \$541 M           |
| Long-term Debt                 | \$4.9 B           |
| Enterprise Value (EV)          | \$7.5 B           |
| Book Value                     | \$8.74            |
| TTM Revenue                    | \$7.7 B           |
| P/ Revenue                     | 0.4x              |
| TTM EPS                        | \$(6.77)          |
| P/ EPS                         | NA                |
| TTM EBITDA                     | \$949 M           |
| EV/ EBITDA                     | 8.0               |

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