

Corporate Credit > U.S. High Yield



Sealed Air (SEE)

Updated Sept 30, 2015

Trade Idea:

- ▶ Buy Sealed Air 5.25% Notes due 2023
- ▶ Buy Sealed Air 5.125% Notes due 2024

Investment Rationale:

- ▶ **Attractive Relative Value:** Notes trade inside of the Barclay's Packaging Index (@ 5.8%) but inline with CLL and CCK - companies with a half to a full turn of higher leverage and significant integration risks on the heels of recently announced large scale debt financed acquisitions
- ▶ **Cost Cutting Initiatives:** Mgmt is committed to ongoing restructuring initiatives to improve the efficiency of its assets. Restructuring initiatives are expected to cost \$120m in FY2015 with \$50m of expected savings. Efforts – along with a commitment to premium, value add products - have yielded 120 bps of LTM EBITDA margin improvement at 2Q15.
- ▶ **Solid Leverage Targets:** Target net leverage of 3.5x-4.0x (vs 3.9x at 2Q15); recent refinancing of expensive 8.375% senior notes should generate \$20m of annual interest savings
- ▶ **Significant Free Cash Flow Generation:** Excluding asbestos related payments / tax refunds, SEE maintains one of the higher levels of free cash flow at \$630m on an LTM basis, or 14.2% of debt, as a reflection of its commitment to improved working capital management and low capital intensity. The company expects to generate \$585m of free cash flow in FY2015 which should be more than capable of funding its heightened share repurchase program.
- ▶ **Management Outlook 2015:** FY2015 sales of \$7.0b (+3% organic growth); EBITDA of \$1.16-\$1.17b up from prior \$1.14-1.16b

Recommendation(s):

View	Trade Horizon	Ticker	Cpn	Maturity	Ratings		Issue			Cash				
					S&P	Moody's	Ccy	Size	YTW	OAS	Price	Target	Loss	ISIN
+1	12 Months	SEE	5.25%	4/1/2023	BB	B1	USD	425	5.08%	333	101.00	103.0	97.0	US81211KAU43
+1	12 Months	SEE	5.125%	12/1/2024	BB	B1	USD	425	5.33%	341	98.50	100.5	96.5	USU81193AN11

* Levels as of 9/30/2015