

SEE Earnings Call Transcript

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Quarter: 3

Operator: Good day, and thank you for standing by. Welcome to the Q3 2025 Sealed Air Earnings Conference Call. [Operator Instructions] Please be advised that today's conference is being recorded. I'd now like to hand the conference over to your first speaker today, Mark Stone. Please go ahead.

Mark Stone: Thank you, and good morning, everyone. This is Mark Stone, Sealed Air's Vice President, Investor Relations. With me today are Dustin Semach, our President and CEO; and Kristen Actis-Grande, whom I'm pleased to welcome as our new Chief Financial Officer. Before we begin our call, I would like to note that we have provided a slide presentation to supplement today's discussion. This presentation, along with our third quarter earnings release is available to download from our Investor Relations page on our website at sealedair.com. I would like to remind everyone that during today's call, we make forward-looking statements, including our outlook or estimates for future periods. These statements are based solely on information that is currently available to us. Please review the information in the forward-looking statements section of our earnings release and slide presentation. These sections also apply to this call. Our future performance may differ due to a number of factors. Many of these factors are listed in our most recent filings with the SEC. Additionally, we will discuss financial measures that do not conform to U.S. GAAP. Information on these measures and their reconciliation to U.S. GAAP can be found in our earnings release or the appendix of our slide presentation. I will now turn the call over to Dustin and Kristen. Operator, please turn to Slide 3.

Dustin Semach: Thank you, Mark, and good morning, everyone. Thank you for joining Sealed Air's Third Quarter 2025 Earnings Call. Let me begin by welcoming Kristen Actis-Grande to Sealed Air. Kristen joined in late August and brings a proven track record of driving transformation, optimizing complex manufacturing and distribution networks and instilling operational rigor. She's already hit the ground running, and I'm looking forward to partnering with her and the rest of the team to further accelerate our ongoing transformation. In a few minutes, Kristen will give color on our third quarter results and set expectations for how we anticipate closing the year. But first, I will provide an update on the progress both businesses are making to navigate the macro environment. The macroeconomic trends from the second quarter continued throughout the third quarter. These trends include softer global growth outlooks, muted industrial production and a consumer that while still resilient, has decreasing purchasing power, particularly in North America within the lower to middle income households. These factors, combined with lower consumer sentiment, persistent inflation and picking up unemployment numbers are contributing to increasing uncertainty around the consumer, particularly in the U.S. Considering that backdrop, our team executed well in the quarter, continuing to focus on controlling the controllables by putting our customers first, executing with discipline, driving productivity and reducing costs across the business. In this market environment, we are focused on leveraging our core competitive strengths to find new sources of growth across both businesses. We are accelerating productivity initiatives to offset potential further market weakness while our transformation continues to take hold across the business. I will share more on those opportunities for each business, starting with Protective. Our Protective turnaround remains on track. Our performance in the third quarter continues to demonstrate improving fundamentals despite market indicators, whether it's overall box shipments or industrial output pointing to a subdued demand environment and a cautious consumer. Sales sequentially improved with material volumes inflecting the growth for the first time since 2021. While we

remain cautious on the consumer and the macro environment, we are expecting materials to continue to stabilize in the fourth quarter, offset by a weaker outlook for equipment driven by timing and continued market pressures. The North American business has stabilized further and is performing relatively in line with the market. In the early stages of the transformation, we focused on minimizing churn and rebuilding our overall go-to-market strategy. We increased the number of sellers and improved customer and distribution partner engagement. In parallel, we also focused on resetting our large account strategy and value proposition, which we knew would take time as this customer segment has a longer sales cycle. Our approach is beginning to yield results with the team recently landing multiple 7-figure competitive wins at national accounts. As the transformation in North America is taking hold, we are beginning to increase our efforts in EMEA and APAC. While those businesses were less impacted by volume pressure than North America, the same value unlock exists to upgrade talent, create more efficient go-to-market strategies, enhance distributor relationships and invest in our field teams to accelerate growth. More to come as we progress on this. As we mentioned during our last call, with the go-to-market transformation well underway, we are shifting to other areas of the business to ensure they are fit for purpose, meaning streamlined and driving better business outcomes. As part of this, we have focused on improving the effectiveness of our R&D; efforts, ensuring the organization is connected to our customers while taking a more balanced approach between internal and external solution development. While still early in this aspect of the transformation, this approach is already producing better solutions with stronger product market fit, increasing our speed to market and helping to accelerate the build-out of our substrate agnostic portfolio. Recent proof points include the newly launched AUTOBAG brand 850HB Hybrid Bagging Machine, which processes poly and curbside recyclable paper bags with high-speed precision and print on bag capability. Our fully fiber Jiffy and [BUBBLE] padded mailer and our upcoming ProPad Mini, a new innovative tabletop paper system. We are excited about our pipeline, and I will keep you updated. Finally, I would like to highlight one other area of focus as part of our fit-for-purpose strategy, network optimization, where we are evaluating our footprint for opportunities to improve our cost positions and better serve our customers. Historically, we incrementally rationalized the footprint, but our current planning efforts are taking a holistic approach, working backwards from our end markets, analyzing each of our products and then driving improved unit economics through a combination of facility, asset and logistics optimization. The transformation of this scale, progress is generally expected to be nonlinear. With that said, I am pleased to see the improvements we are making week after week, demonstrating incremental progress towards our goals.

Now turning to Food. The segment's performance was resilient this quarter despite continued market headwinds. The overall market dynamics discussed in the second quarter accelerated throughout the third quarter and into the fourth, where in North America, the consumer continued to rotate into value grocery as their purchasing power wanes. The rest of the world continue to perform well. This dynamic in our retail end markets results in trade downs to private label, different pack formats and away from higher-priced fresh counter items into prepackaged solutions. These are all trends our portfolio serves that change the mix of products. As an example, during the third quarter, we saw consumers here in the U.S. continue to move from the fresh sliced deli counter, a shrinkback application into pre-sliced deli meats. While we are capturing a portion of the trade down, it's a roll stock type application with a lower margin profile. Within foodservice markets, the U.S. was flat as many quick service restaurants and fast casual operators are leaning into value offerings and new products or promotions to help spur traffic. The rest of our international foodservice markets continue to be resilient. Despite the U.S. market headwind, our focus on service quality and driving growth in dairy within Liquibox resulted in the fluids and liquids portfolio growing volume above expectations. Retail and foodservice continue to represent key growth areas for the food business, given higher growth rates and overall opportunity to take share. As we expand further into those end markets, we will smooth out the volatility that comes from our exposure to supply side dynamics within industrial food processing end markets. On the supply side, U.S. beef harvest rates were lower than anticipated in the quarter, down approximately 10.5% compared to the prior year, following a mid-single-digit decline in the second quarter. During the third quarter, the number of days that cattle spent on feed lots remained above historical averages. The steeper-than-anticipated decline in beef production is pressuring our industrial exposed volumes. The U.S. cattle rebuilding is expected to persist into 2026, be relatively flattish in 2027 and return to growth

in 2028. We now expect this year's beef slaughter to be worse than 2024 by mid-single digits. Outside of the U.S., beef production remained strong in Australia, while other regions saw tempered rates. We are more intentionally making a rotation into retail and foodservice end markets by applying the transformation playbook we developed in Protective to our food business. Like Protective, we are initially focused on our North American business due to its size and current market pressure. We are in the process of rewiring the organization to connect our end markets in retail and foodservice throughout our commercial, R&D; and supply chain teams. This alignment will support a mix of go-to-market changes, new innovations and network asset optimization. We will continue to upgrade talent to ensure we are building a team that's growth-oriented, externally focused, highly accountable and operating with urgency and pace. This is where I have been focusing my energy and effort, and we have made progress over the past couple of months. We are planning to make all the necessary foundational changes by the end of this year so we can hit the ground running in 2026. When you pull everything together, we continue to focus on controlling the controllables by extending the protective transformation across other geographies and down into R&D; and supply chain as well as executing a growth transformation within our food business that will leverage an existing playbook, allowing us to move more quickly, starting in North America. In parallel, we are advancing our productivity initiatives across the areas previously discussed as well as procurement and continued back-office improvements to further streamline our cost structure and position us well for stronger profitable growth when market conditions improve. As we progress in the fourth quarter, we will have more visibility around where the consumer is headed, the resulting impact on next year's demand environment and more clarity on the timing of the benefits from our transformation initiatives. The combination of these factors will shape our outlook for 2026. I'm now going to turn it over to Kristen to give an update on our business performance and our updated outlook for 2025. Kristen, over to you.

Kristen Actis-Grande: Thank you, Dustin, and thank you to the Sealed Air team for the warm welcome and support over my first 2 months. This is an exciting time to join given where we are in our transformation journey. The transformation opportunity, along with the strength of the underlying brands in food and protective are a large part of what drew me here. I look forward to partnering with Dustin and the team to accelerate our efforts. Now let's turn to Slide 4 to review Sealed Air's third quarter performance. Despite persisting market headwinds, our teams executed above expectations, delivering sales of \$1.35 billion, up 0.5% as reported or down 1% on a constant currency basis. Adjusted EBITDA in the quarter was \$287 million, up 4% as reported or 3% on a constant currency basis. Adjusted earnings per share was \$0.87, up 10% as reported or 9% on a constant currency basis, driven by higher adjusted EBITDA and lower interest expense. Our adjusted tax rate was 23.9%, which was relatively flat compared to the prior year. Our weighted average diluted shares outstanding in the third quarter was 148 million. Moving to Slide 5. During the third quarter, volumes were down less than 1% with Food and Protective performing above expectations. Food volume was relatively flat in the quarter as the decline in our shrink bag business was offset by growth in our foodservice portfolio, which outperformed the market across all regions with volume up 4% year-over-year. Protective volume was down less than 2% in the quarter as our industrial portfolio showed modest growth year-over-year and the fulfillment portfolio continued to improve, led by strength in auto bag solutions and specialty foam. We reached another key milestone in our transformation in the third quarter as protective materials grew for the first time since 2021, 1% year-over-year. This was offset by lower equipment volumes. Price was essentially flat in the third quarter on relatively stable resin markets and a tariff landscape that didn't change meaningfully within the quarter. Although these are two areas we continue to watch heading into 2026. Foods pricing was 20 basis points better than the prior year, while Protective declined 1%. Third quarter adjusted EBITDA of \$287 million increased \$11 million or 4% with a margin of 21.3%, up 80 basis points year-over-year. The strong adjusted EBITDA performance was primarily driven by lower operating costs, including favorable productivity savings and cost control actions, partially offset by slightly lower volumes and negative net price realization, which was mostly driven by inflation on labor and nondirect material costs. Moving to segment performance on Slide 6. In the third quarter, food net sales of \$910 million were consistent with last year on a constant currency basis, with both volume and pricing relatively flat. We are seeing continued consumer softness in North America, resulting in trade downs and trade-outs. On the supply side, beef production declined at a faster pace

than was previously anticipated. Though market headwinds were partially offset by positive volume in our fluids and liquids portfolio. From a regional perspective, volumes were up in all regions outside of the U.S. with low to mid-single-digit growth in EMEA, Latin America and APAC. Food adjusted EBITDA of \$215 million increased \$9 million or 3% in constant currency compared with the prior year. Adjusted EBITDA margin was 23.6%, a year-over-year improvement of 70 basis points. The increase in adjusted EBITDA on a constant currency basis was primarily driven by productivity and cost-out savings, partially offset by negative net price realization. Protective sales were \$442 million in the third quarter, down \$12 million or 3% on a constant currency basis. Volumes were down less than 2%, demonstrating once again continued improvement sequentially as the disciplined execution of our go-to-market strategy continues to yield iterative progress. Protective adjusted EBITDA of \$78 million in the third quarter increased approximately \$3 million or 3% as reported and 1.5% in constant currency compared with the prior year. This represents our first year-over-year adjusted EBITDA growth in this segment since the first quarter of 2024. Adjusted EBITDA margin in Protective was 17.7%, up 80 basis points year-over-year. The improvement was driven by productivity gains, which were partially offset by negative net price realization and lower volume. Turning to Slide 7. Through the first 9 months of the year, free cash flow was a source of \$201 million compared to a source of \$323 million for the same time period a year ago. We generated \$120 million in free cash flow during the third quarter, up 4% from the same quarter last year. At the end of the quarter, our total liquidity position was \$1.3 billion, including \$282 million in cash and the remaining amount in committed availability under our revolver. Last week, we closed on the refinancing of our 5-year revolving credit facility and as a part of the facility, incorporated a new delayed draw term loan. The committed delayed draw structure will act as a backstop to refinance our 1.573% senior secured notes maturing in October of 2026, which allows us to continue to take advantage of the low coupon of the existing notes until maturity. Our net leverage ratio was 3.5x, and we remain on track to reaching a net debt to adjusted EBITDA leverage ratio of approximately 3x by the end of 2026. Shifting gears to the update of our full year outlook on Slide 8. We see market pressures accelerating in the fourth quarter, resulting in volumes lower than anticipated, particularly in North America Food, along with further competitive pricing pressure in both businesses. These dynamics will be partially offset by further tailwinds from a weakening U.S. dollar. In addition to the macro factors discussed earlier, we are monitoring the near-term implications of the U.S. government shutdown, specifically as it relates to funding the Supplemental Nutrition Assistance Program, or SNAP. We don't yet know the impact the delay in funding the program will have on our U.S. business, but anticipate it to be transitory. In the short term, the shutdown may continue to exacerbate the trade downs we are seeing as lower-income households would stretch their dollars even further. At this time, we continue to target the \$5.3 billion midpoint of our tightened full year sales range. We are raising the adjusted EBITDA expected range to \$1.12 billion to \$1.14 billion, up \$5 million from the prior midpoint, implying \$274 million in the fourth quarter. Our Q4 adjusted EBITDA outlook reflects continued operating discipline and ramping productivity initiatives that will be partially offset by lower volume and unfavorable net price realization. Given the strong year-to-date performance on adjusted EPS, we now expect the full year to be between \$3.25 and \$3.35 per share. This assumes full year shares outstanding of approximately 147 million and an updated full year tax rate of 26%. Finally, we are reaffirming our full year free cash flow to be approximately \$400 million. As a reminder, we seasonally ramp down inventories in the fourth quarter, which drives stronger cash generation toward the end of the year. We have lowered our full year capital expenditure projection to \$175 million, reflecting increased rigor around capital deployment and refocused priorities guided by our transformation efforts. As we progress through the remainder of the year, we will better understand where the consumer is headed, particularly in the U.S. and its impact on next year's demand environment. We will also gain greater clarity on the timing of our transformation and productivity initiatives and how the combination of these factors will shape our outlook for 2026, which we look forward to sharing with you in February. And with that, Dustin and I welcome your questions. Operator, we would like to begin the Q&A; session.

Operator: [Operator Instructions] We will now begin with the first question. This is from George Staphos from Bank of America Securities.

George Staphos: I guess my question is really around food. Dustin, you talked about maybe beef

production in North America picking up, I guess, by 2028. And I don't want to put words in your mouth. But can you give us a bit more detail in terms of the sources that you're using in terms of navigating this bottom in terms of cattle on feed and beef production, recognizing it's not the only thing that drives your food business. And the question behind the question is, we've seen some commentary from industry sources that suggest maybe '26 is really the plateau and we should start seeing an uptick in cattle on feed '26 or '27. Kind of what informs your view and what should we be mindful of? Related point, and this may be just a punt to '26 and we understand, given the productivity initiatives that you have underway in food, do you expect that at least directionally, EBITDA should be up next year for Food as you put all of the pluses and minuses together, and obviously, we'll get more detail next quarter.

Dustin Semach: George, and again, I appreciate the commentary and the question. So a couple of things that talk about the U.S. beef cycle. As you kind of noted at the beginning of this year, we actually started the year on a stronger note in the first quarter of 2025. And as we've gone throughout the year, the cattle cycle has really steepened. And we talk about the supply side dynamics, but really, it's an interplay between the demand side, right, where you don't have a consumer there that can really continue to purchase high-end beef. And that's why I think you're seeing this precipitous change where you're beginning to see higher [F] retention and a steeper decline, which was steeper, obviously, in the third quarter. And then we're actually guiding it now in the fourth quarter until you see that steepening. But just as a reminder to everybody, it's a combination of where the consumer is at and then obviously supply side dynamics. So how we see it playing out as today kind of based on the latest forecast that happened and the change in Q3 and our expectations for Q4, as you would expect '25 now down kind of in the 5% range over holistically. But keep in mind, that's with a stronger Q1. And then you would expect a similar dynamic, George, which is in line with industry expectation around that same 5% to 6% going into 2026. And then the point is that you're seeing it really steepen right now in Q3 and then steepen further in Q4. You'll see that shallowing out in Q1 and Q2 of next year, and you would see it come back out of it, which actually leads '27 to be flattish right now based on current indication and '28, you actually revert back to positive growth. And so that's -- that's the dynamic we see playing out, which is also why you see our commentary around how we're really focused on rotating into retail as well as foodservice as those areas provide an offset, which is actually what you would have seen in our Q3 results as we talked about the strength of our overall foodservice portfolio. And then going back to your question on '26. Right now, as Kristen and I both commented in the script, it's really a combination of those factors that we're looking through because a lot will determine how '26 shapes up based on where the consumer is at in the overall U.S. economy. And as we mentioned, right now, uncertainty is increasing. We've seen some of those macroeconomic trends weaken in the third quarter and intimidating right now going into the fourth. And so we don't want to kind of comment right now on exactly where we land because it's that combination of where the market is at, which I would say is the biggest area of uncertainty in combination of what we're doing on the transformation side as it relates to food specifically, what benefits are we going to get from our initiatives in retail as well as foodservice and then the combination of productivity. But those are all the variables that we're managing right now, and we'll give you a more fulsome update in February when we come back.

Operator: We'll now take our next question. This is from Ghansham Panjabi from Baird.

Ghansham Panjabi: Welcome also. I guess just following up on George's question on the Food segment. If we could just kind of switch to the EMEA segment, a portion of that segment. Can you just touch on the operating environment there? Is it any different than the U.S. baseline? And then I think you cited share gains in the region. Give us a bit more color as to what drove that, which specific businesses, et cetera, that would be helpful.

Dustin Semach: Thank you, Ghansham. And the question as it relates to our EMEA region, our European region and the food business. Those dynamics are still playing out, Ghansham, the region has been the strongest performer within the overall Food segment holistically. The operating environment is still very strong there and the share gains that really started in the back of 2024, it kind of rolled through '25, and that business has continued to perform very well from an overall margin expansion as well as share gains. It's really across the entire portfolio. So there, obviously, in our EMEA region, you actually have less shrink bag penetration as you do relative to industrial markets. You have a bigger focus on retail just due to the dynamic in the European region holistically just as a

region relative to our other regions. So it's less cycle driven than if you think about Australia, Latin America as well as the U.S. And so that dynamic is continuing to play out. We will -- I will say that there is some cautiousness now kind of creeping into that market as it relates to broader global growth outlook. But as far as we're kind of anticipating closing out the year in 2025, we anticipate the European region to close out very strong. But it's on the back across all those portfolios, whether it was what we're doing in Liquibox, whether it's the rollstock applications, which for us, particularly a product called [DM5] as well as shrink bags. It's really kind of broad-based strength across that portfolio and across that region.

Operator: And the next question is from Phil Ng from Jefferies.

Philip Ng: Congrats on another strong quarter in a tough environment. I guess, Dustin, well, first of all, welcome, Kristen, really looking forward to working with you going forward. I guess a quick question out of the gate. I guess your implied fourth quarter guide implies seasonal counter seasonality, certainly, you called out some headwinds on food in particular. So I guess, number one, have you seen the correction in demand already, whether it's the consumer protective in terms of your order patterns weakening in the fourth quarter? And then you called out some price degradation as well. Have you seen that kind of soften already going into the fourth quarter, whether it's food or Protective?

Kristen Actis-Grande: Yes. I'll start by jumping in and just give you some perspective broadly on Q4, and then I'll let Dustin add some specificity around Protective and a couple of the other points you raised. So let me start by just framing the big picture Q4 and really what we are carrying in from Q3. We mentioned in the prepared remarks that the team is really executing well against the challenging backdrop, and there's a lot of focus here internally from the teams on making sure we're controlling what we're able to control. So if you think about the progress that we're making both on the growth initiatives, the transformation initiatives, all the things that contributed to the Q3 performance, we absolutely expect all of that to continue. But what you're really hearing from us quite broadly is concerns around a softer macro environment sequentially moving into the fourth quarter. And we touched on like industrial production index, various points around consumer sentiment and uncertainty. And all of that broadly speaking, again, total enterprise on the top line is bringing us down in volume relative to the prior guide, about 2.5 points. And a couple of areas I'd point out where that's concentrated is in NAM food and that's specifically in industrial processing. As you mentioned, there's a little bit of negative price coming in, in the fourth quarter, and that really has to do just with the challenging volume metric environment that we're seeing. But I will point out it's being offset by currency. So it really doesn't net out to being a very volume-driven story. But the teams are going to continue to do all the things they did in Q3 to deliver against that. And Dustin, maybe you want to put a finer point on some of the questions on Protective.

Dustin Semach: Yes, absolutely. Well, Phil, going back to the question you ask specifically as it relates to food, -- what I would tell you is that in Protective in both cases, the order entry patterns are seeing the -- we are seeing that dynamic play out, particularly in industrial volumes in terms of industrial processing within food. And so that's the area that we talked about the downward pressure you saw in Q3. There was offsets there that helped offset in Q3. But in Q4, because it's steepening even further, you're seeing that pressure, and it's absolutely coming through in our order entry, albeit the dynamic is still yet to play out. And so we're going to be cautious as we go through fourth quarter, but it's -- we're seeing it already.

Operator: Next question is from Matt Roberts of Raymond James.

Matthew Roberts: Dustin, you spent a lot of time talking about that commercial playbook. So maybe more specifically, what could you borrow from the Protective playbook you've already executed on? Or maybe what needs to be done in terms of either customers' R&D; spend or KPIs you measure within the sales force? And how does the shift to food impact capital allocation in coming years? And to the point you just talked about as well, despite those headwinds, 3Q still came in good as did the margin, I think an unfavorable mix of margin from those end markets, and you discussed the price headwinds, but how are you able to preserve margin in food in 3Q? And could you expect to hold margins year-over-year in 4Q despite those incremental beef headwinds?

Dustin Semach: Yes. So a couple of things, Matt. Again, thank you for that multipart question. So the first comment I would make is really related to the overall commercial playbook, right? And so if you

think about what we've done in Protective and you talk about -- if you take a step back even when we went through the kind of the reconstitution of both Food and Protective as overall segments, a lot of that playbook in Protective was really around changing our reactive sales approach to a proactive sales approach. And we talked about putting investment in the field, we talked about simplifying our go-to-market structure, overhauling incentives as well as really focusing on the strategies we have in each segment. And to give you an example, in Protective, what that largely meant was simplifying the engagement model we have with our distribution partners and stepping up overall engagement. That same approach is coupled with sales performance management. And again, what I would say is for leading indicators, everything from managing activity at the field level from how many calls per week, visits per week, managing customer satisfaction, managing pipeline, all those areas are applicable to our food business, which is -- has been historically been more exposed to industrial volumes, which has a different type of sales approach than you would see relative to retail and food service, right? So it's really tailoring that go-to-market model, working from our end markets back, focused on our strategy and connecting that through R&D; and supply chain. But it starts in our biggest region, North America and food being roughly 50% overall holistically and then being able to work in North America first from a commercial perspective. But even more importantly, in food, that connection back, how you connect it into R&D; as well as supply chain matters even more, particularly as you want to rotate into these other segments further. As it relates to the overall margin profile that you discussed, yes, we feel really good about where we're at from how we executed in the quarter. As we've talked about beforehand in Q2 as well as in Q1, recognizing there may be some potential demand weakness in the year, controlling the controllables, taking a more proactive approach, we really put a lot of energy and effort as a management team driving productivity across the business. And you're seeing that come in and really offset some of the -- again, net price realization that we see picking up in the fourth quarter and coming in to offset that particular piece. And then as it relates to capital allocation changes, I'm going to turn it to Kristen and give her an opportunity to comment on that part of your question.

Kristen Actis-Grande: Yes. Thanks, Dustin. I appreciate it. So broadly speaking, what we're really trying to focus on with our capital expenditures is how we're choosing to invest in things that are accretive to ROIC, which has really been a focus of ours since the Liquibox acquisition. And if you think about deployment of CapEx, really, whether it's to food or it's Protective, it really links back to the transformation priorities. And those priorities are absolutely going to inform what investments we're making and the timing of those investments. And I do think that there's a lot of interesting things ahead of us with respect to food transformation specifically that we can do to continue to drive profitable growth in the business. Specifically what those are or how much we're going to spend on them, we'll come back to you in February with more color on the '26 guide, and we'll elaborate a bit more on the CapEx side as well.

Operator: Next question is from Edlain Rodriguez from Mizuho.

Edlain Rodriguez: Welcome, Kristen. In terms of Protective, Dustin, again, you've seen an inflection in material volume in there. Like what drove that? And do you believe that's sustainable going forward? And do you still expect to see the overall volume inflection in that segment as we go into 2026?

Dustin Semach: So great question. So again, I'll just start by saying, look, we're really pleased in the third quarter, right? It's obviously a major milestone for us in the Protective transformation to inflect the material volumes in the third quarter. What drove that as we talked about in the second quarter, our industrial portfolio flipped positive and you see continued strength there. Notable areas that performed better would be Instapak, AUTOBAG, but we also had many other areas like our Korrvu, which is our suspension films, inflatables. So you had more, I would say, parts of the portfolio that grew this time than we've seen historically. You saw continued improvement in fulfillment. And as we talked about some of the wins we had in national accounts, those are largely in the fulfillment space. And so that area should be able to -- as those sales kick in and roll through, that's largely a benefit that you'll see rolling through 2026. As it relates to -- so I'll pause there to say, yes, very strong Q3 that we feel really excited about relative to the journey that we've been on, obviously inflecting since 2021. We already intimated in the script that we are going to see further stabilization in material volumes in the fourth quarter. And then as you get into 2026, against what we're looking is the same combination of items that we discussed earlier, which is as it relates to growth specifically, take productivity aside is where

are we going to be from an overall U.S. economy is that will obviously drive a lot of the market -- underlying market lift or downward pressure. And so we're very cautious there and is looking through that. And so our Q4 will inform a lot about how we view 2026 as outlook. But what I'm really confident in is what we're doing in terms of being able to change the game going back to Matt's question around that playbook and how that transformation is really playing out in Protective. So I'm really excited about where we're headed, and I'll have more to update you on as we understand that market dynamic in combination with the benefits and timing of our transformation initiatives and some of the wins we've been able to knock down this year.

Operator: Next question is from Jeff Zekauskas from JPMorgan.

Jeffrey Zekauskas: I was hoping that you would talk about your SG&A; costs in that they came down about \$10 million sequentially on higher sales. And so I was wondering if there was anything unusual about your SG&A; number this quarter? Or is it sustainable? I take it most of your restructuring has to do with your food business in that the food operating profit kind of matches the change in SG&A.; Is that true? And for next year, is there another \$50 million or \$60 million in charges? Or are we done?

Dustin Semach: So a couple of things, Jeff. I appreciate the question. So look, we're really pleased, as we've talked about over the past couple of years, we've really been very intentional about bringing down our overall SG&A.; And keep in mind that as we've gone through what we call the CTO2Grow program over the past couple of years since we initiated it back in 2023, we've been able to consistently drive down that number. There's nothing unusual about the third quarter other than it's just reflective of timing related to some of those overall initiatives. And as you see -- or you will see in our Q3 disclosure, we're kind of formally closing the CTO2Grow program, but we will have continued restructuring initiatives cascading into next year. The [TBD] relative to how much payments that we think will be there, we've already intimated, again, as we talked about in the prepared remarks, that there's continued back-office restructuring. And keep in mind that while we're in Food and Protective, our overall SG&A.; take the sales and marketing out to the site, but our G&A; footprint, whether it's legal, whether it's finance, whether it's HR, those are all corporate functions that really support both segments. So as you continue to rationalize that G&A; footprint through transformation, and we've highlighted some of those initiatives in the past, like our office in Manila that if you go back to the beginning of the year, we really had -- we just stood up the site. And as we sit here today, we're over 300 employees strong, right? It's the second largest G&A; facility we have in our entire fleet. And so there's -- a lot of those vehicles continue to be sustainable relative to 2 things: one, streamlining our back-office operations, but more importantly, driving better business outcomes as we've seen in IT. And to give you perspective, IT, where we've really modernized our overall infrastructure, we've also done that while at the same time, bringing down our IT cost into the high double digits. So really pleased with those outcomes. I think there's more opportunity ahead, but we'll give you more clarity on the timing of restructuring payments when we come back in 2026.

Operator: Next question is from Anthony Pettinari from Citi.

Anthony Pettinari: I'm wondering if it's possible to give the maybe updated bridge items for the full year EBITDA guide in terms of net price, volumes, FX cost saves. And then apologies if I missed this, but you're reducing the CapEx for the full year, but your free cash flow estimate is unchanged. I don't know if you had any comment there in terms of the offsets.

Kristen Actis-Grande: Yes. Yes, I'm happy to take that. And maybe I'll just actually start with free cash flow, work back into the full year EBITDA bridge question. So we are guiding to a midpoint still of \$400 million on free cash flow. To your point, we did bring the CapEx number down about \$25 million. And then of course, we're bringing EBITDA up. So both of those would be tailwinds to the free cash flow number. One of the reasons that, that's not flowing through and causing us to raise the midpoint is really around reductions in accounts payable, and that has to do with some of the mix of raw materials relative to what we were forecasting in the last guide. And just to put a finer point on the fourth quarter cash flow generation, too, just keep in mind that we're very Q4 weighted on cash generation, and that has to do with inventory management at year-end, which we do historically see and we're laser-focused with the teams on how we're operationally creating that inventory reduction for the fourth quarter. So that's a little bit of color I'd give you on the guide around cash flow. And then going back to your first question, which was on the updated EBITDA bridge on a year-over-year basis, I think you had asked

for that on a full year basis. Yes. So let me give you Q4 and then happy to go through full year, too. So 4 buckets I'll give you on the fourth quarter EBITDA year-over-year bridge. The first is volume, which we've talked quite a bit about, largely market-driven, again, concentrated in North America food and industrial processing. And then the second year-over-year change is continued negative net price realization, which is largely stable to what we've seen through the first 3 quarters of the year. And then productivity, we continue to generate high levels of productivity. The fourth quarter benefit, there is a little bit under \$30 million. And then the rest of the change is really 2 things. It's improved FX, and it is lower incentive compensation payments in Q4.

Dustin Semach: And then to step in and give you some color just on the full year numbers, you're talking about approximately \$20 million year-over-year in terms of benefit from an EBITDA perspective. That's true that's a negative \$51 million or 50-ish relative to volume, negative \$75 million on net price realization, which is a \$10 million step-up that we alluded to earlier, which is concentrated in the fourth quarter. That's a change from our third quarter guide. And then you see roughly \$150 million, I would say, restructuring combined with cost control and cost containment. That's obviously a step-up, as we mentioned, to come in and offset some of that price impact in the fourth quarter and the rest of it being associated with other incentive comp payments.

Operator: Next question is from Anojja Shah from UBS.

Anojja Shah: I just wanted to go back to that comment that you made on network optimization and evaluating your footprint. Can we get a little more detail on that? And also, does that relate to both segments or just one?

Dustin Semach: It's a great question. So network optimization, if you go back over the past 3 years, has been a continued focus, right? So if you look at it, we've talked a couple of times around areas where we either consolidated sites or in other examples like our Lakeland facility in the Protective segment, where we opened a new site that's obviously benefiting even in 2025. What I would tell you is that comment relates to both segments on a go-forward basis, but the primary point of it is we are taking a holistic approach right now and looking at the entire footprint, where historically, we've been opportunistic relative to, I would say, incrementally rationalizing the portfolio. We're not at a point in time where we want to talk about specifics. But as we continue to progress our planning efforts, and we'll come back out and talk about that into -- in the beginning of 2026 and as we progress throughout 2026 because that, as you can imagine, and this isn't necessarily leaning towards just pure site consolidation. This is really a mix, as we talked about in that holistic approach around, logistics optimization or freight optimization as well as asset optimization. Going back to some of the questions around capital deployment, which we're being very intentional on, particularly on the growth capital side and then obviously, the sites themselves. But as we progress, it is in both areas. So the comment in the script was primarily focused on Protective, but it's both areas, and we'll give you more clarity once we get into February.

Operator: Next question is from Chris Parkinson from Wolfe Research.

Christopher Parkinson: Dustin, now that things kind of are beginning to stabilize and inflect and you're clearly making substantial progress on the cost front, is now the right time to further assess the portfolio? I know there's been kind of this willingness to see kind of where you want to be ultimately in the future, especially on the food side of it. But as far as Protective is concerned, given the progress there, is there any reason to believe that now is the right time to further assess that? Or is it still really too early?

Dustin Semach: Yes, Chris, great to hear your voice. Thank you for the question. A couple of comments I would make to that is, as we mentioned before in the past, we're always looking for opportunities to maximize shareholder value. Right now, we're heads down in our transformation, really focused on making the impacts we need in each segment. What we focused on is really bringing both businesses back to long-term sustainable profitable growth. While we're really pleased with the progress we made in both segments, we still think there's a lot of opportunity right now to optimize and drive us to a place where we're achieving that long-term goal. And so that's where we're really focused right now. But with that said, we're always looking for opportunities to maximize shareholder value.

Operator: Next question is from Mike Roxland from Truist Securities.

Michael Roxland: Congrats on another strong quarter despite the backdrop. And Kristen, congrats on

the new role. Look forward to working with you. On Protective, Dustin, you mentioned the reset in terms of the large account strategy. You said you recently landed a few 7-figure wins. It sounds like they mostly came in fulfillment. Can you confirm that? And can you also comment on maybe the EBITDA impact you're expecting from those wins in 2026? And for Kristen, you've been in the seat for about 3 months now. Given your background driving transformations across complex manufacturing and distribution businesses, what do you think Sealed Air is doing right? And where do you see incremental opportunities at Sealed Air for -- to affect further change?

Dustin Semach: Mike, again, great question. Yes, we referenced kind of winning some large 7-figure accounts, which are big actual deals for our Protective segment because typically, relative to food, you have smaller kind of order size per customer. And it is largely fulfillment. If you think about national accounts, you're thinking about distribution networks. And so you're largely helping them facilitate their distribution. And the margin right now, it's really a mix. It depends on the -- really, if you drive margin within these particular businesses, it's really on the mix of different products that you're selling into each one. And one of the benefits that we have in terms of where we sit as a market leader in the Protective segment is really the breadth and depth of our portfolio. The strength of that portfolio has given us the opportunity as well as the strength of our distribution relationships has given us those opportunities to get in there and win again. So really excited about it. We're not at this point in time, quantifying what that impact is in the next year because we're still going to be working through the ramping of those new wins and what does that mean. But again, I would tell you, it's really about the mix of products, which across the board is a different set for each individual account because they're not -- no 2 deals are kind of alike.

Kristen Actis-Grande: Yes. Thanks for the question, too. I think I just crossed like the 60-day mark last week. It's been a really great 60 days and enjoying it so far. It's a great business. I think we commented -- yes, we commented this in the prepared remarks, but it's really the transformation opportunity that was one of the big things that drew me here. And what I would say, first of all, what I've observed so far about the transformation is it's really one of the most well built-out transformations that I've seen given where we are in our sort of stage of maturity around transformation. It's really better than I even expected to be once I got in the door. And what I mean by that is sort of the breadth and depth of the transformation opportunity, but also the specificity of it, the amount of initiatives that are laid out in a very data-driven and actionable way, and that gives me a lot of confidence both in being able to continue to deliver on what's in motion right now, but also on delivering the road map if we look out 1, 2, 3 years. So that's been really positive. I think where I can help and where we have opportunity to continue to mature the transformation opportunity is really in some of the management systems you've heard Dustin talk about. In the background that I come from, we refer to that more as the operating system. And we don't really have a very mature operating system here. If you think about how we sort of structure accountability through the business, how we coach our people, how we think about executing initiatives through leading indicators, really like holistic continuous improvement efforts. Those are all areas where I think we can make a lot of improvements. And we've put some things in motion already since I've been here, but that's a really big opportunity for us. And then broadly speaking, too, I think we're always looking to make sure that as we're going through this major change and this major transformation that we have the right talent in all parts of the organization to support that. It is a big change. We are evolving a lot of things in the company, including the culture, and that really requires us to make sure that we have the right leaders on board to drive that change over the next several years.

Operator: Next question is from Stefan Diaz from Morgan Stanley.

Stefan Diaz: Welcome, Kristen. So foodservice volumes, I think you said in your prepared remarks were plus 4% this quarter, which is very nice to see, especially given the pressure consumer in the U.S. Can you just speak to some of the strength there and if you expect to continue to gain share in the quick service space and maybe some of the things that are driving that strength?

Dustin Semach: Yes. So a couple of things I would talk about, which is, one is, particularly within foodservice, we're continuing to see more and more opportunities because as a reminder, one of the big portfolio that supports foodservice is really our fluids and liquids portfolio, which has demonstrated the ability to grow for a long period of time. We've talked about new products we brought to the market

like FlexPrep, [Zero Prep,] which are really designed for that specific QSR segment and we continue -- and the whole thesis there, combined with Liquibox is this displacement or this conversion from a pack type from rigids into flexibles. And so we continue to see the opportunity in that space. And if you think about it, it's really the same value proposition that if you go back to our industrial side relative to the combination of equipment, material science and technical service. And really what that does is increase the throughput and maintain uptime for our customers in the Industrial segment. That same thesis applies really into the Foodservice segment, where really what you're doing is optimizing around labor. As you know, in foodservice, labor is very challenging and has continued to be really ever since post-COVID. QSRs are under more pressure now than ever. So this gives the ability to maximize yield in the products. So think of this as like sauces, condiments and areas like that, that are newer segments for us. But also within Liquibox, we had a rotation where we've already serviced QSRs, but we've made an intentional rotation into dairy and we're continuing to see a lot of uptick and uplift there. And so in both those areas, we're continuing to see opportunity to grow. We're obviously very pleased with the result we had in Q3, and we see the opportunity continuing ahead of us, albeit right now a smaller segment for the overall business because you're talking about roughly \$0.5 billion in size.

Operator: And the next question is from Gabe Hajde from Wells Fargo.

Gabe Hajde: Kristen, looking forward to working with you. Two unrelated questions, Dustin, I hate to revisit it, but I'm looking in, I guess, the filing, it shows 102 facilities, 15 of which are kind of co-located or serving both segments. You've done a lot of work to, what I'll say, disentangle the support and the commercial approach over the past 18 months. If we see you next year taking moves to kind of continue to disentangle those operations, would that enable you to kind of then evaluate other avenues for maximizing shareholder value and meaning outside of simply just improving the financial and operational performance? And the second question, completely unrelated, I apologize. \$75 million of price nondirect material headwinds in 2025. Again, you guys have made a lot of changes on the commercial approach. Does this cause you -- I mean, our view, and we're spending a lot of time thinking about this, maybe a paradigm shift in sort of these tangential or frictional costs, as I call them, inflating every year, maybe revisiting pass-through mechanisms to capture some of these other costs that you incur.

Dustin Semach: So Gabe, I'm going to start with your first question and then come back to that point. So just keep in mind that this year, as you think about overall net price realization, right, a lot of that cost is -- if you look at where we see the inflation, the primary input cost in that negative \$75 million is really labor inflation. And the offset to that, to give you an idea in net price realization of negative \$75 million, about \$60 million of it is labor inflation, which has been moderated since -- if you go back go back to 3 years ago or so when you're up into the 90s range. So you're seeing labor inflation continue to moderate, which is one a positive. The second thing is, historically, we've been able to demonstrate that we drive productivity every individual year within -- and this is not associated with restructuring per se, but just general productivity within our business that offsets that inflation. That's how we target that every individual year. And so we don't see that as a structural difference, albeit I would state that you're probably seeing lower inflation in those areas kind of going forward than we've seen historically because you've seen it continue to moderate. It's TBD a little bit on the nondirect material side, particularly as it relates to tariffs because the tariff impact, as everyone knows, relative to August 1, you're going to see a lot of that be capitalized on balance sheets and those pricing dynamics play out in 2026. So we're still kind of, again, working through what does that outlook look like next year in combination with the resin markets overall holistically. So -- but as it relates to your comment around -- so that's the cost base I would put in that category. As it relates to pricing, again, our business has a mix. We've talked about this in the past where in our food business, a big portion, roughly half of it has largely been on formula pricing that's predominantly in North America. And it does capture -- those formulas capture a wide range of different kind of input measures relative to how you price in the marketplace beyond just raw materials. And the second piece that I would say to that is if you look over the past 5 years and you look at net price realization holistically across both businesses, they've really been able to demonstrate strong pricing power even as it relates to inflationary costs. And this is really without even bringing into frame the discussion that we had around productivity. If you think about going forward for pricing environments, when we came into 2025, we really expected the overall

polyethylene markets to be kind of slightly inflationary, which as we discussed in the past, would be a more ideal kind of environment for flexible packaging manufacturers to operate within. And so it's TBD. I mean, right now, if you look at commodity resins holistically, they're kind of -- they're right now sitting on the floor. And so it's TBD where that heads into 2026, but that would be, to me, the catalyst if you see any type of repricing in overall segment from a market standpoint. Going back to your original question around the overall segments, et cetera. Look, I mean, the reason we went down the road of putting the businesses back into Food and Protective, as we've talked about before, is they have very different end markets, very different routes to market in terms of whether it's distribution or direct sales, different products, applications, et cetera. And this was really to give each business the ability to drive towards a long-term strategy that's tailored to that specific business. And that's what we're focused on. As it relates to shared facilities, a lot of what you're talking about there specifically as it relates to shrink films and stretch overwrap films, those are the same asset base that produce both of those product categories. And that's really a legacy coming back from the days we acquired CRYOVAC back in 1998, where that asset base was acquired there. So our shrink films in the market, even though we sell them in the Protective segment because they're a protective application, they're originally a CRYOVAC technology and those assets actually produce both. And so right now, we're really focused on, as I mentioned beforehand, continuing to effectuate the strategies for each of those segments. And we're still, as Kristen said, while we've made a lot of progress over the past 3 years and keep in mind, we've been in this new structure for about a year now. We're really kind of wrapping. This is actually around the same time last year that we went back into Food and Protective. And we still think there's runway here to continue to really optimize each individual segment and their overall outlook and particularly as we head into 2026 and beyond.

Operator: And the last question today is from Arun Viswanathan from RBC.

Arun Viswanathan: Congrats on the strong results, and welcome, Kristen, looking forward to working with you as well. So I guess my question is just on the volume side and organic growth side. I guess I think you mentioned that your outlook now embeds maybe 2.5 points lower of volume growth in Q4. Is that just maybe relative to what you saw in the last month or so? When did you start to see that kind of weakness materialize? And do you expect that to kind of last through the first half of next year as well? And maybe you can just break that down how that looks in both segments.

Dustin Semach: Yes. So a couple of comments. So yes, if you look at our fourth quarter guide, what it embeds is a lower outlook for volume about 2.4 points. But in total, that brings the volume to down 4% in the quarter. That's primarily in food and more concentrated within North American food, as we've talked about the rest of the world performing relatively strong. And so -- and it relates primarily to the dynamic we're seeing with this rotation from the consumer into value grocery, right? And so that rotation into value grocery is bringing down volumes holistically and then is compounded by, like I said, this interplay between consumer dynamics and that driving the beef cycle itself. That steepening of the beef cycle, as Kristen alluded to earlier, was we did not anticipate it to be as steep as it has become. And that's really, again, driven by that overall weakness within the consumer and the uncertainty surrounding it. So as you think about that cycle and how it plays out, going back to one of the comments and questions that we had earlier in the session today, that really what you would expect is that to continue to deepen in the fourth quarter, you would expect that weakness to persist at a minimum through the first half of 2026. Now to what degree and to what extent, that's what we're working through, but you would expect that to continue to cascade through. And then it's kind of right now TBD on the second half of '26. And some of that's also just in terms of what's within our control relative to the initiatives we can drive. So what I'm really speaking to is overall market dynamics. If you go to Protective itself, Protective, just as a reminder, is a very short-cycle business, right? So where I believe going back to Chris in terms of maturity of operating systems, we're better today than we have been in the past relative to understanding competitive intelligence, market intelligence, it still gives us -- we still have limited visibility in that business about -- think of it as one quarter at a time in terms of really understanding where we're at, how orders will go through because volumes can shift quickly from our customers' perspectives, and that would obviously have a knock-on effect in our volumes. And so we're really looking at the fourth quarter to understand we're still forecasting some seasonal strength in that number. And so relative to the prior year and looking to see how the quarter plays out to begin to

rethink and then the combination of the wins that we've made to really understand how it's going to shape our outlook in 2026. But what I would leave you with is we are -- as we made in the comments in the prepared remarks, we are seeing some uncertainty continue to increase dynamics play out relative to the market in terms of lower market demand. And that really goes back to some of those upfront comments around industrial production is still very muted really ever since. You've seen kind of growth outlooks across the globe lower since the tariff announcements back in March. And then you've seen really where you see the consumer begin to weaken is that lower kind of middle-income households. And the middle-income household is actually relatively new in terms of a dynamic that's played out over the past quarter, where before that, you would have seen at the lower levels in areas like SNAP, which we believe to be transitory to what degree that plays out could obviously have an impact. So what we're trying to signal is that we're very cautious about how we're going into the fourth quarter and cautious about 2026, and we'll have a lot more clarity no different than we did over the past 90 days as we progress into February. And at that point in time, we'll be able to give you a better update on how 2026 will shape in the combination of the 3 factors we outlined earlier.

Operator: And I will now turn the call back over to Dustin for closing. Thank you.

Dustin Semach: Thank you for joining us this morning. Kristen and I look forward to coming back in February to discuss how we finished the year and our expectations for 2026. More importantly, I want to reiterate that as a company, we are focused on maximizing shareholder value and are leaving no stone unturned. And a sincere thank you to all of our customers, our channel partners and our employees who are at the center of what we do and are driving our transformation here at Sealed Air. Thank you.

Operator: Thank you. This concludes today's conference call. Thank you for participating, and you may now disconnect.