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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Berry Plastics earnings call. (Operator Instructions). As a reminder, this conference is being recorded.

I would like to hand the conference over to Mr. Dustin Stilwell, Director, Head of Investor Relations. Sir, please go ahead.

Dustin Stilwell - *Berry Plastics Group, Inc. - Director, Head of IR*

Thanks, Cam. Good morning and welcome, everyone, to our 2014 first fiscal quarter earnings conference call. Joining me from the Company today I have Berry Plastics Chairman and Chief Executive Officer, Jon Rich; and our Chief Financial Officer, Mark Miles.

During this call we will be discussing some non-GAAP financial measures, including operating EBITDA, adjusted EBITDA, and adjusted free cash flow. The most directly comparable GAAP financial measures and reconciliation of the differences between the GAAP and non-GAAP are available in our earnings release and our public filings. An archived audio replay of this conference will also be available on the Company's website.

During this conference call we would like to make it clear that certain statements made today may be forward-looking statements. These forward-looking statements are made based upon management's expectations and beliefs concerning future events impacting the Company and therefore involve a number of uncertainties and risks, including but not limited to those described in the Company's annual report on Form 10-K and other filings with the SEC.

Therefore, the actual results of our operations or financial condition of the Company could differ materially from those expressed or implied in the forward-looking statements.

On today's call Jon and Mark will provide some detail about the current quarter, present some comments on the overall business, and before going into Q&A will provide a commentary on our view of the 2014 fiscal year. With that, I would now like to turn the call over to Jon Rich.

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

Thank you, Dustin. Good morning, everyone. Thank you for joining us and welcome to the Berry Plastics first-quarter fiscal 2014 earnings call.

Throughout this call we will refer to the first fiscal quarter as the December 2013 quarter. This morning we will review our financial performance, make a few comments on the overall business, and provide our views relating to fiscal 2014.

Overall, our financial results for the quarter were in line with our expectations and with our previously-announced total fiscal year guidance. I am pleased with the December 2013 quarterly results, in spite of the impact of higher raw material costs and continued soft market conditions.

Now, turning specifically to our quarterly performance, sales increased 6% over the prior year to $1.140 billion and generated operating EBITDA of $172 million and $94 million of adjusted free cash flow. Operating EBITDA was essentially flat versus the same prior-year period, and adjusted net income per share increased from $0.08 in the December 2012 quarter to $0.18 in December 2013. Mark will provide more details on our financial results momentarily.

Consistent with the normal seasonality of our business, the December-ending quarter is historically our weakest period. The December 2013 quarter continued to be pressured by increasing raw material costs, coupled with weak demand for packaged goods at grocery. The year-ending Nielsen survey showed grocery volumes down 0.7% for the quarter. The results of the survey were very similar to the third calendar quarter, with demand in the second half of the year lower than the first half of 2013 on a year-over-year comparison basis. Some of the largest declining categories were staples such as bread, milk, and cheese. It would appear that consumers continue to feel the pressure of slower wage growth and modest declines in the unemployment rate.

We saw the impact of changing consumer trends on demand for our packages in several categories in the December quarter. For example, demand for all carbonated soft drinks was down in the quarter, and that impacted both our closures and thermoformed drink cup businesses.

Additionally, we saw demand for margarine decline in favor of butter. Both of these are examples of the always-ongoing changes in consumer perception of products that ultimately impact the packaging industry. We continue to monitor these trends closely. The diversity of Berry's product portfolio and new product launches help to offset these weak markets.

Physical volume in the quarter was essentially flat compared to the same period in 2012. We experienced good volume growth in several categories, including bottles, tubes, and personal care films, which all grew more than 5% on a year-over-year basis. Declining categories included compression closures and thermoformed drink cups, which were impacted by the trends I discussed earlier.

Although selling prices were 5% higher in the quarter than the prior year, the continuation of rising raw material costs negatively impacted our results. Plastic resin prices have now increased nearly unimpeded for the last 18 months. Costs of our primary raw materials, polyethylene and polypropylene, were up almost 20% versus the prior-year period. These increases are continuing into the first calendar quarter of 2014.

The timing lag in our contractual pass-through arrangements resulted in an unfavorable earning impact of $5 million for the December 2013 quarter compared to the prior year.

With oil prices dropping, and global and North American demand for plastics remaining muted, one might logically ascertain that resin prices would not continue to inflate at the current rate. However, predicting future in resin costs with any certainty has proven to be very difficult. It's important to note that any increases that occur for us in January and February will flow into our results for the first half of calendar 2014.

On the M&A side, we mentioned on our last call we completed the acquisition of Graphic Packaging's flexible plastics and film business at the beginning of the quarter. We were very pleased with the integration of the business and the positive contribution that the acquired business has had on our results thus far.

Last week we announced the acquisition of a controlling interest of Qingdao P&B Co., Ltd. Qingdao P&B is an established packaging business, producing both flexible and rigid plastics packaging located in Qingdao, China. This is a significant step for Berry, consistent with our stated international growth strategy and representing our first step into the very important China market. P&B has annual revenues of $34 million. While this transaction is small compared to others we have done, there are several factors that made this very attractive to us.

First, we are partnering with a great leadership team that we have known for several years and that retain a minority equity interest in P&B. Secondly, several of P&B's largest customers are global, multinational CPG companies that are also among Berry's largest customers. And third, the Qingdao facility is located in a free trade zone that will facilitate future investment and growth.

Through this transaction we will grow in the Asian packaging market and capitalize on our combined business strengths to bring an increased number of innovative products to the Chinese and Asian markets, allowing us to best serve our customers and create increased values for our shareholders.

Now I will turn the call over to Mark, who will provide more specific details on Berry's financial results; and then I will come back and discuss the actions Berry is taking. Mark?

Mark Miles - *Berry Plastics Group, Inc. - EVP and CFO*

Thank you, Jon, and good morning, everyone. As John highlighted, adjusted net income per share for the December 2013 quarter was $0.18 compared to $0.08 for the same period in 2012. The $0.10 improvement includes reduced interest costs as a result of the debt refinancing completed in the second quarter of fiscal 2013.

Net sales for the quarter were $1.140 billion compared to $1.072 billion for the December 2012 quarter. This 6% increase was primarily attributed to a 5% increase in selling prices due to the pass-through of higher raw material costs, along with a 2% increase in revenue from our acquisition of Graphic Packaging's flexible plastics and film business, partially offset by the divestiture of our kits and catering asset in late fiscal 2013.

Operating EBITDA was $172 million for the December 2013 quarter compared to $173 million reported in the prior-year quarter. This $1 million decrease in operating EBITDA included a $12 million unfavorable impact relating to the relationship of net selling prices and raw material costs, of which $5 million is related to the pass-through timing of our resin escalator/deescalator arrangements.

Our continued focus on cost reduction activities in both manufacturing and administration allowed us to almost completely offset the raw material inflation on a year-over-year basis.

Turning to our business segments, in our two rigid businesses combined net sales increased by 4%, primarily as a result of a 6% increase in net selling prices due to higher raw material costs. Operating EBITDA decreased by 5% overall. This decrease was primarily attributed to a negative relationship of net selling price to direct material costs as a result of the timing lag on resin, contractual pass-through mechanisms, partially offset by cost reduction.

As Jon discussed earlier, segment operating profit in our rigid open top business was affected by lower volumes in our thermoformed drink cup business. Sales in this category were impacted throughout the year by weaker demand of carbonated soft drinks and the strong comparable to 2012, when volume was up double digits versus 2011.

As a reminder, Berry revolutionized this product category with the invention of deep draw polypropylene thermoforming. Our business relationships with large quick-service restaurant customers are typically done in multi-year contracts. In the December ending quarter we concluded new agreements with existing customers, where our prior contracts provided exclusivity or very high market share at those accounts.

In the recently-concluded negotiations, some customers wanted to diversify their supplier base; and that, in conjunction with market softness in 2013, resulted in some share loss and price concession as those agreements were extended. We did retain a majority share position with these customers and believe we continue to be the market leader. We do not have any other major contracts with thermoformed drink cup customers up for renewal until the end of 2014. The impact of these new contracts began in the December ending quarter and was factored into our fiscal 2014 guidance provided on our last earnings call.

In the flexible business, consisting of our engineered materials and flexible packaging segments, combined net sales increased by 9% in the quarter over the prior year. This increase was primarily a result of a 5% increase in net selling prices due to higher raw material costs and revenue from our acquisition of the Graphic business.

Operating EBITDA for these two segments increased 8% overall. This increase was primarily attributed to three categories. First, improvement in manufacturing efficiencies and lower manufacturing costs; two, reduced administrative expenses; and three, the addition of the Graphic business. These were partially offset by a negative relationship of net selling price to direct material costs.

Interest cost for the December 2013 quarter was $55 million, $15 million lower than the prior-year expense of $70 million. This reduction is primarily related to the Company's debt refinancing completed in the second quarter of fiscal 2013.

I would remind you, Berry has additional opportunities to further reduce interest expense in the future through refinancing two tranches of higher interest rate debt and our 9.5% and 9.75% second priority senior notes. The 9.5% notes become callable in May of this year, and the 9.75% notes become callable in January 2016. We will continue to monitor the markets, and we will take actions when and if appropriate.

Earlier this month we refinanced and extended the maturity of our term loan C that was scheduled to mature in April of 2015. This refinancing extended the maturity to 2021. Assuming no change in short-term interest rates and no additional refinancing activity, we estimate our revised fiscal 2014 cash interest to be approximately $225 million.

Berry continues to maintain more than ample liquidity, which is enhanced by businesses that generate substantial free cash flow. At the close of the 2013 quarter, the Company had cash on hand of $162 million and unused borrowing capacity under the revolving line of credit of $499 million, providing a significant amount of liquidity totaling over $660 million.

We remain committed to our top priority of reducing the Company's leverage ratio. Our net debt at the end of the 2013 quarter was $3.777 billion, resulting in a leverage ratio defined as net debt divided by adjusted EBITDA of 4.7 times, which is a tenth of a turn reduction achieved in the December quarter.

We remain confident that we'll be able to generate the needed free cash flow to reduce our net debt in addition to growing our EBITDA.

Looking at adjusted free cash flow -- defined as cash from operations less net spending on property, plant, and equipment; and payments under the tax receivable agreement in the December 2013 quarter -- we had positive adjusted free cash flow of $94 million. Our continued focus on working capital initiatives was a contributor to the $50 million improvement in adjusted free cash flow over the prior-year quarter. This brought the Company's LTM adjusted free cash flow to $288 million, representing $2.39 per diluted share or a free cash flow yield of 11%, based on the market capitalization at the end of the quarter. Going forward, we will continue to focus on maximizing free cash flow alongside investing for future growth.

This concludes my financial review of the December 2013 quarter. And at this time I would like to turn it back to Jon.

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

Thank you, Mark. With the first quarter under our belt in fiscal 2014, and as we look ahead to the rest of the year, we remain committed to our four-point strategy. The actions we have taken over the past year and up through the recent quarter have been in direct alignment with the goals we have been communicating.

We continued to focus on our top priority, which is reducing our debt leverage to a 2 to 4 times multiple of EBITDA goal. We achieved a reduction of our leverage to 4.7 times in the December 2013 quarter.

To support our organic growth strategy, we continued to invest in R&D, marketing, and capital equipment. We also made a very important step toward our third strategic goal of growing internationally through the acquisition of Qingdao P&B. And we completed a synergistic bolt-on acquisition through the addition of Graphic Packaging's plastics and films business, consistent with our fourth strategic objective.

Now let me provide a brief update on Versalite. Versalite continues to be a very significant opportunity for Berry, and we are more excited today than we have ever been. We're currently working with six customers that represent demand of over 3 billion units annually.

Currently we are restraining the number customers that we work with to ensure our ability to supply. Four of these customers are drink cup opportunities in both hot and cold cups. The other two customers represent, first, a new breakfast food product that will be sold in the grocery channel; and second, a hot food application sold in quick-service restaurants. These food applications demonstrate the breadth of opportunities for Versalite, as Versalite is a technology that provides thermal management and is not just a drink cup.

In the December quarter we ordered then next Versalite production cell, consistent with our previously discussed expansion plans. That cell will fill our existing Madisonville plant, and we are now planning for the next capacity step. We continue to be limited only by our ability to add equipment, and we are working with our machine vendors as they work to scale up and meet our goals for future capacity.

In the first fiscal quarter we achieved results that were consistent with our previously announced goal to achieve $270 million of adjusted free cash flow in fiscal 2014. As we look forward to the current quarter, we will have some negative impact from raw material inflation.

On the cost side, we're executing on the restructuring plans that we announced in November. Overall, we expect that the facility closure and consolidations will generate approximately $27 million of annual operating savings when fully implemented. We expect savings of $9 million in fiscal 2014 that will begin to be realized in the March 2014 quarter. Full implementation is expected to be completed by the end of fiscal 2014, with the remaining $18 million to be realized in fiscal 2015.

While there have been some pluses and minuses since our last conference call, overall we are today reconfirming our fiscal 2014 free cash flow guidance of $270 million. Finally, Berry will continue to take the necessary proactive steps to remain competitive and a leader in plastics packaging. We will continue competing in our markets through a relentless focus on building and strengthening our competitive advantages. I am confident that the people of Berry will continue to drive our results and achieve our goals.

Thank you for your continued interest in Berry Plastics. And now we are ready to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ghansham Panjabi, Robert W. Baird.

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

The share loss that you spoke about in thermoformed -- just to clarify, was that incremental to what you have already called out in previous quarters? And Jon, are you targeting any other channels to offset that loss? Are there any other opportunities out there for that particular product line?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

First of all, obviously these contract negotiations are in the normal course of business; and as we stated, we have completed all of those and so don't anticipate any other changes. In terms of our assumptions for this year, we think we've taken a very conservative approach for thermoformed drink cups. We think the base market will be essentially flat on a year-over-year basis, with the negotiations we completed giving a very modest decline off of that for Berry.

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

Okay, that makes sense. And then the reiteration of free cash flow guidance: have any of the parameters to get you to that number of $270 million, have they changed? Working capital, CapEx, et cetera?

Mark Miles - *Berry Plastics Group, Inc. - EVP and CFO*

It is Mark. The refinancing that we completed in January did add some interest cost for the fiscal year. And that interest cost was offset by the addition of the P&B business that we acquired.

And also, we've got some overachievement on earnings due to synergy realization from recent acquisitions. So the net of those is a wash.

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

Thanks so much. Good luck in the quarter.

Operator

Scott Gaffner, Barclays.

Scott Gaffner - *Barclays Capital - Analyst*

Just sticking on the thermoformed drink cups, when I look at rigid open top, it looks like the adjusted operating margin was down fairly significantly year over year. Is that related to the share loss, or is there something else going on there year over year that we should be thinking about

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Mark Miles - *Berry Plastics Group, Inc. - EVP and CFO*

That was a small contributor at the end of the year. As we spoke about earlier, early in 2013 we had built a lot of inventory ahead of what we thought would be continued increased demand that occurred in 2012. When that didn't materialize, we drew down inventories and cut production further than what demand really was. That is now completed.

Scott Gaffner - *Barclays Capital - Analyst*

Okay. And then, Jon, talking about your forecast for thermoformed, you said flat year over year in 2014. And I think just going back to comments before, you said 2013 was a relatively weak volume year. How conservative is another flat year for thermoformed drink cups?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

It is our anticipation that revenues and earnings for our rigid open top business will be higher on a year-over-year basis.

Operator

George Staphos, Bank of America.

Alex Wong - *BofA Merrill Lynch - Analyst*

It is actually Alex Wong sitting in for George. First question -- comments from some of your peers in the last week suggested there has been some optimism or pickup in food consumer trends. And I know that you have spoken earlier in the call that you are still seeing some consumer softness. I was wondering if you are seeing any of that, or if you can share some thoughts around that?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

I think the December ending calendar quarter from a volume standpoint was the best quarter we saw on a year-over-year basis, but still, I would describe it as slowly improving. So I would anticipate -- or we are anticipating a continuation of that trend into 2014, a modest and continuous improvement.

Alex Wong - *BofA Merrill Lynch - Analyst*

And then just a second question on the timing of the Versalite capacity additions. I believe the last update was around the second cell to be installed by the March 2014 quarter. Is that still on track? And adding a cell per quarter -- is that still the way to think about it, given your discussions with your customers, and so on?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

I would say that is still the way to think about it. I would say that excitement for Versalite continues to build. We're working with our machines vendors to try to debottleneck things as they gear up to meet that commitment. So the only issue we have now is the pace at which we can receive machines. But that goal remains the same.

Operator

Christopher Manuel, Wells Fargo.

Christopher Manuel - *Wells Fargo Securities, LLC - Analyst*

A couple of questions for you. First, if I could go back to the deep draw thermoformed for second -- I know you are getting kind of beat up on a lot of questions on it, but how much of the portfolio does this represent that was renegotiated? Is it a significant piece? Just kind of a sense with respect -- so my question is around a sense as to how much -- if traditionally you have run at a 25%-ish EBITDA margin, has this represented a pretty big hit to profitability there? And if it just happened again at the end of the quarter, is that something that we are going to run with the rest of the year?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

I would just remind you that while our thermoformed drink cup business is substantial, and we obviously helped create that space, in its totality it represents less than 10% of Berry's revenues -- in its totality. And the customers who concluded the negotiations were a minority fraction of that. So in the totality of the diversity and strength of Berry Plastics, it is a small number.

Christopher Manuel - *Wells Fargo Securities, LLC - Analyst*

Okay. The second question I had --

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

Just to be clear, look, it is a very good business. It remains a good business. I think the impact of those negotiations were felt in the December ending quarter and should be similar for the remaining quarters.

Christopher Manuel - *Wells Fargo Securities, LLC - Analyst*

Okay. Second question I had was -- I think, Mark, earlier you mentioned that resin represented a $12 million degradation year over year -- I'm not sure if that was in EBIT or if that was in revenue -- but that $5 million of it was related to timing. The other $7 million: help us with what might happen there. Is that just a function of you having been out in the marketplace and raised prices? Or how might we think about that difference?

Mark Miles - *Berry Plastics Group, Inc. - EVP and CFO*

No, you have got it right, Chris. So $12 million was the total-quarter year-over-year change in raw material costs versus selling price. So that would be EBITDA impact.

And $5 million of that $12 million -- just to remind you, 75% of our business is contractual pass-through. So on the 75% that is contractual pass-through, that is the $5 million. That was just timing related.

The remaining $7 million is in our noncontract business. And polyethylene went up $0.14 in the year, two nickels and $0.04, for a total of $0.14 with no decreases. So it is just merely a matter of getting those increases pushed through to the market on the remaining 25%. And most of that was felt in our flexible businesses, that $7 million.

Christopher Manuel - *Wells Fargo Securities, LLC - Analyst*

Okay, thank you. Good luck.

Operator

Mark Wilde, Deutsche Bank.

Mark Wilde - *Deutsche Bank - Analyst*

It is Mark Wilde. Jon, I wondered, first of all, if you could just give us a sense of whether there is any difference in timing on the pass-throughs between the segments? And maybe, also, just a sense of what you are seeing from your competitors as they respond to higher resin?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

I think as Mark commented, about 75% of our business is on contractual pass-throughs. We have worked hard over the last several years to reduce the rate of that pass-through. That -- resin has gone up in a continuous manner over the last 18 months. We typically try to work with customers when resin is going down to adjust the pass-throughs, because it gives the customer advantage.

But I would say on our noncontractual businesses, we have worked hard to try to pass through those price increases. But because of the magnitude of the polyethylene price increases, I would say it has been more challenging lately to pass the full amount through.

Mark Wilde - *Deutsche Bank - Analyst*

Next, I just wanted to ask about that Chinese acquisition. In the past you have been very clear that you wanted to only expand overseas where you could meet or exceed your North American margins. Is that true with Qingdao?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

The margins higher than Berry's average today.

Mark Wilde - *Deutsche Bank - Analyst*

Pretty good for China. And then finally, you mentioned four customers that you are working with in drink cups. I'm just curious as to whether that's -- you can give us some sense, kind of -- hot cups, cold cups?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

It's both hot and cold cups, with significant opportunities in both categories. And I'm looking forward to the day when we can talk more specifically. But I'm not going to get ahead of our customers.

Mark Wilde - *Deutsche Bank - Analyst*

Yes, I understand. That is fine.

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

Things with Versalite continue to go as well as we could expect.

Mark Wilde - *Deutsche Bank - Analyst*

Okay, thanks, Jon. Good luck in the coming quarter.

Operator

Joe Stivaletti, Goldman Sachs.

Joe Stivaletti - *Goldman Sachs - Analyst*

Just following up on your information you gave on the cost inflation, I wondered if you could talk a little bit more about your underlying assumptions for the March quarter in terms of getting some of that lag, sort of catch-up on that leg versus continued cost inflation. Do you think net-net it is going to be another quarter where it's going to be pressure? Or you are going to recover some of that pressure that you felt in the December quarter?

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Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

Well, we have had, obviously, increases announced in both polyethylene and polypropylene right here at the beginning of the year. Some of that we will feel in the first calendar quarter. Some of that will also roll into the second calendar quarter. So as we start the year, we're still facing a continuation of the trend that we saw all last year.

Beyond what has been announced for January and we have already experienced, I can't tell you that I have any good barometer beyond what we already know. But there will be some pressure from the resin side in the first half of the year. Unless it -- certainly in the first quarter, appears to be rolling into the second quarter, unless resin does an abrupt change right now.

Mark Miles - *Berry Plastics Group, Inc. - EVP and CFO*

It is Mark. The only thing I would add is on the contractual side of it for the March quarter it is going to be fairly muted year over year. So the piece that Jon is referring to is that noncontract. And obviously, we're still in the quarter, so we're still working through that, pushing those increases through.

Joe Stivaletti - *Goldman Sachs - Analyst*

Right. Right. That would be the $7 million you were referring to?

Mark Miles - *Berry Plastics Group, Inc. - EVP and CFO*

That's right. That is right, Joe.

Joe Stivaletti - *Goldman Sachs - Analyst*

The only other question I had was just if you had a -- what is your current view on CapEx for the year?

Mark Miles - *Berry Plastics Group, Inc. - EVP and CFO*

No change to our prior guidance there, Joe, of $230 million.

Operator

Al Kabili, Macquarie.

Al Kabili - *Macquarie Research Equities - Analyst*

The question, Jon, is on the six customers that you refer to on Versalite. Do we have any formal contracts now in place with any of those? Are all of those customers on Versalite at this point?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

As we have said before, we have an ongoing commercial relationship with Subway; that continues. With the other customers we are going through the process that I laid out in prior calls, which is -- first step is a smaller trial at the customers' stores. If that trial goes well, as they have so far, that becomes a much larger trial, essentially. But it is a larger geographic trial. And then the normal commercial process extends distribution center by distribution center. I would say with the customers we're in, we have been at the end of the first phase or the beginning of the second phase.

Al Kabili - *Macquarie Research Equities - Analyst*

Great. And Jon, just as a reminder, second phase would be the final phase of these trials? Or is there a third phase?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

Yes, typically. And again, I would just remind you, all the trials are on a sale basis. So we are selling cups as we speak.

Al Kabili - *Macquarie Research Equities - Analyst*

And then I just also wanted to clarify some earlier comments you made on the rigid open top segment -- that you expected profitability for the year to be up year over year. And you started a bit down to start the year. Is the function of the improvement going forward -- do you see that more driven by volume or more by cost? Or maybe equally on both of those items?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

First of all, I expect that the improvements in our open top business -- the earnings will improve without the impact of Versalite. I would say that it is more heavily weighted towards the cost side than the volume side, as a significant part of the restructuring activities that we announced are centered around our rigid open top business.

But I also expect that there will be some improvements in volume, particularly in our containers business. What I would say is we have a more modest view on volume, and that business is more impacted by the cost activities.

Al Kabili - *Macquarie Research Equities - Analyst*

Great. Okay. Thanks for the clarification and extra color there. Good luck the rest of the year.

Operator

Anthony Pettinari, Citi.

Anthony Pettinari - *Citigroup - Analyst*

With Versalite, given that you have some potential food applications as well as rigid open top, will the revenues from Versalite be realized within rigid open top? Or will they be shared even with the flexibles group, partially? Or how will revenues from Versalite flow through to the segments?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

Revenues will show up in our rigid open top business, and then we will have an internal transfer for materials that come from flexible. But the revenues will show up extremely in rigid open top.

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Anthony Pettinari - *Citigroup - Analyst*

And then just generally, as you have taken Versalite to customers and consumers, has there been anything that surprised you, either positively or negatively, in terms of the reaction? And is the kind of green message of recyclable polypropylene -- are you seeing that resonating with consumers?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

I will just remind you that before we went to customers, Berry conducted extensive internal consumer testing. And so we collected what we thought consumers thought about Versalite. It has been very gratifying to see that as we are working with customers, their feedback from their consumers matches very closely the exciting feedback that we got from customers.

And so I would just say anybody who has had a chance to drink a cup of coffee out of a Versalite cup doesn't want to drink out of an alternative after that.

Anthony Pettinari - *Citigroup - Analyst*

Okay, that is helpful. I will turn it over.

Operator

Aaron Whiteman, Appaloosa Management.

Aaron Whiteman - *Appaloosa Management - Analyst*

As I look at your free cash flow guidance, maintenance CapEx is still less than $100 million within that. So without growth spend at 1 times, is it fair to say that your 2014 free cash flow guidance would be about $400 million, again without growth spend?

Mark Miles - *Berry Plastics Group, Inc. - EVP and CFO*

We look at it with total CapEx. I mean, you are right, Aaron, in that the maintenance CapEx associated with just maintaining our facilities -- so keeping the equipment in optimal condition -- is in that $80 million range. But our total CapEx is $230 million, which includes growth as well as cost reduction activities. We look at CapEx in total when we give our free cash flow guidance.

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

And Aaron, just to clarify, I would say that more than in the past year, our CapEx is weighted towards the big innovation projects that we have.

Aaron Whiteman - *Appaloosa Management - Analyst*

And then as I look at your stock, you have a better business and I guess more growth opportunities than many of your competitors. What do you think investors and analysts are misunderstanding about your business? I would think if I was trying to analyze your Company with my math saying that your free cash flow would be $400 million, I would come up with a much higher stock price.

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

Look, I would just say that we have tried to communicate to the investment community Berry's four-point strategy for increasing shareholder value. We are extremely focused on that. We get up every morning trying to figure out how to better serve our customers with great products. And as we focus on that internally, I am confident that the markets will take care of our stock price.

Operator

Bill Hoffmann, RBC Capital Markets.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Jon, can you just talk -- with the small acquisition you made in China, just what you see as opportunities for further follow-on acquisitions over in those markets? Just as sort of beachheads for you? I don't know; what is the strategy at this point?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

As I said in my prepared remarks, this is a very important step for Berry and really satisfies all the criteria that we had in terms of trying to make an entry into that important market.

First of all, it came with a great team that we knew. I think it was important for Berry to take that step, because we felt that greenfielding into China would be difficult for us. So that was really important to us.

Secondly, and also very important, was that their customer base is the customer base that we already know. We have had some very good conversations with those customers and others, who now see an opportunity for Berry to translate its product portfolio and technologies into that fast-growing market.

And the fact that the facility was in a free-trade zone -- Qingdao is a port city, north of Shanghai some. The fact that it is in a free trade zone will really facilitate our ability to expand, because we can add investment there without some of the tariffs and duties that come without being in a free trade zone.

It is really our intention to make product in China for the China market. And so this really satisfied all of our criteria. Our partner there, Peter Song, is a great executive in the packaging space. And we look forward to that relationship.

Bill Hoffmann - *RBC Capital Markets - Analyst*

The other question was, like, do you expect to use that and grow now organically with that business? Or do you think additional acquisitions is the way you have to keep growing over there?

Jon Rich - *Berry Plastics Group, Inc. - Chairman & CEO*

We are not making any assumptions of further acquisitions. We have a very robust growth plan for that acquisition already, and we are really excited about it. So you should see us investing and expanding in conjunction with that acquisition. And then we will see what opportunities lie beyond that.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Okay, thanks. And then just a point of clarification, I guess for Mark: the quarterly EBITDA in the rigid open top -- as you go forward through the year, do you expect that those levels to be similarly below where they were last year? Or do you expect to see some catch-up?

Mark Miles - *Berry Plastics Group, Inc. - EVP and CFO*

I think Jon may have mentioned this earlier, but as Jon stated, our expectation for the full year is that earnings for open top will be consistent with last year, not at the same decreases we incurred in the first quarter here.

Operator

Christopher Manuel, Wells Fargo.

Christopher Manuel - *Wells Fargo Securities, LLC - Analyst*

Just a couple of quick tie-up numbers, more kind of modeling things.

I noticed in the quarter that to your SG&A dramatically fell to the tune of, oh, $12 million, $13 million, $14 million from where it has been as a run rate over the past two, three years. Was there anything unusual in the quarter that transpired? And is that, maybe, a reasonable run rate as we work through the balance of the year?

Mark Miles - *Berry Plastics Group, Inc. - EVP and CFO*

Chris, I would encourage you to look at the quarters by quarter for the year. It is typical that the fourth calendar quarter is our lowest for the year. So I wouldn't simply take that number and annualize it. I would look back at our historical SG&A and map it out by quarter that way, with no material movements on a year-over-year basis.

Christopher Manuel - *Wells Fargo Securities, LLC - Analyst*

Okay, I will take a back look through that. And then the next modeling-oriented question was: at the end of your fiscal year you had, I think, $142 million of cash on the balance sheet. You had $162 million, I think, at the end of this quarter.

That is, again, a really high level compared to where you have had it historically. Anything -- reason? Or what is the thinking?

Mark Miles - *Berry Plastics Group, Inc. - EVP and CFO*

We're not trying to accumulate cash, Chris. We did have the small acquisition of P&B early in this quarter, in the March 2014 quarter. We do have that call that we mentioned coming up in May 2014.

So as we continue to build free cash, that opportunity exists. But our plan is not to accumulate cash. If we do not have opportunity to deploy that cash through M&A or CapEx, we will reduce our debt.

Christopher Manuel - *Wells Fargo Securities, LLC - Analyst*

Okay, that is helpful. That is all I had. Good luck, guys.

Operator

Thank you. And that concludes our question-and-answer session for today. I would like to turn the conference back to Berry Plastics for any concluding remarks.

Jon Rich *- Berry Plastics Group, Inc. - Chairman & CEO*

Thanks very much. As always, we appreciate your interest in Berry Plastics, and we look forward to talking with you again in the next conference call.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program, and you may now disconnect. Everyone, have a good day.