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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Berry Plastics earnings call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. (Operator Instructions). As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mr. Dustin Stilwell, Director, Head of Investor Relations. Sir, please go ahead.

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

Good morning, everyone. Thank you for joining us, and welcome to the Berry Plastics' third-quarter fiscal 2015 earnings call. Throughout this call, we will refer to the third fiscal quarter as the June 2015 quarter. Joining me today from the Company, I have Berry's Chairman and Chief Executive Officer, Jon Rich; and 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 the reconciliation of the differences between GAAP and non-GAAP financial measures, are available in our earnings release and our public filings. A presentation discussing our recent acquisition can be accessed through the Company's Investor Relations page.

This presentation is under the Event Details under Supporting Materials. An archived audio replay of this conference will also be available on the Company's website.



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 the operation or financial condition of the Company could differ materially from those expressed or implied in the forward-looking statements.

Now I would like to turn the call over to Berry's Chairman and CEO, Jon Rich.

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

Thank you, Dustin. Good morning, everyone, and thank you for joining us. Earlier this morning, we announced in a press release that Berry Plastics has agreed to acquire AVINTIV, a global player in specialty materials used in infection prevention, personal care, and high-performance solutions.

On today's call, we will first go through our normal Quarterly Report for Berry's fiscal Q3 results, and then come back to the slide presentation and outline the strategic and financial rationale for this transformational acquisition.

Turning to Berry's results for the quarter just completed, I am very pleased to report that we generated operating EBITDA of \$219 million for fiscal Q3 2015, a record for any quarter in the Company's history. Operating EBITDA margins increased to 17.6% in the quarter compared to 16.3% in the same prior-year period. For the June 2015 quarter, adjusted net income per diluted share was \$0.51, while recording strong adjusted free cash flows for the quarter and the last 12 months of \$140 million and \$378 million, respectively. Mark will provide more details on our financial results momentarily.

During the Q3 fiscal quarter, we executed well on those things that were in our control, including delivering on productivity; continuing to price our product to reflect the value they deliver to our customers, as well as retaining the non-resin-related increases we implemented over the past several quarters; reducing working capital; expanding the commercialization of our innovative new product lines; and delivering strong free cash flow for the quarter consistent with our prior guidance.

We also successfully refinanced our revolving credit line and replaced our second lien bonds with new notes, reducing our interest costs by more than \$40 million annually. For the key market-driven factors, lower resin costs continue to be a positive tailwind. Raw material costs for plastic resin have fallen in response to dramatically lower oil prices that began dropping at the beginning of our fiscal year. For the third consecutive quarter, we experienced a positive relationship on a year-over-year basis between selling prices and raw material costs. If oil prices stabilize, we would expect the benefit from falling resin prices to diminish.

Assuming no significant change in plastic resin costs for July or August, we would expect another positive relationship for the September 2015 quarter. During the June 2015 quarter, our resin pounds sold were 1.9% lower versus the same prior-year quarter on a pro forma basis adjusted for acquisitions. Volumes did improve sequentially, consistent with the normal seasonality of our business.

As we've stated in previous calls, we typically experience about 0.5% to 1% reduction in pound volume per year, due to lightweighting and product redesign, which ultimately provides benefit to both our customers and to Berry. Additionally, about 0.5% of our total volume reductions this quarter were attributed to business in our Rigid Closed Top division that we acquired from Rexam in 2014, where we took steps to improve profits resulting in some losses of lower margin business. Although our volumes were slightly down in total, we did have a very strong quarter in our Engineered Materials segment, driven by organic volume increases in our tapes, can liners and core film products.

Now I'll turn the call over to Mark, who will review Berry's financial results in more detail, and then I'll come back to provide an update on our new products, discuss our final free cash flow assumptions, and provide more information about the acquisition. Mark?



Mark Miles - Berry Plastics Group, Inc. - CFO

Thank you, Jon, and good morning, everyone. Net sales for the quarter were \$1.241 billion, compared to \$1.298 billion for the June 2014 quarter. This 4% decrease was primarily attributed to a 5% decrease in selling prices due to the pass-through of lower raw material costs, a 1% negative impact from changes in currency exchange rates, and weak customer demand, partially offset by revenue from our acquisition of the Healthcare Containers and Closures business purchased from Rexam in June 2014, and volume gains in certain product categories.

Combined net sales in our two rigid divisions decreased by 6% when compared to the June 2014 quarter. The decrease was primarily attributed to a 6% reduction in selling prices due to the pass-through of lower resin costs and a 5% reduction in base volumes from weak demand, partially offset by the US portion of the Healthcare C&C business purchased from Rexam, which contributed 5% to the Rigid division's net sales.

Combined net sales for our Flexible businesses, consisting of our Engineered Materials and Flexible Packaging segments, decreased by 3% compared to the June 2014 quarter. The decrease was primarily attributed to a 4% reduction in selling prices due to the pass-through of lower resin cost and a 3% negative impact from changes in currency exchange rates, partially offset by a 1% increase in base volumes and revenue from the acquisition of Rexam's Healthcare C&C operations outside the United States that contributed 3% to the Flexible businesses' revenue.

Operating EBITDA was \$219 million for the June 2015 quarter compared to \$212 million in the prior-year quarter. This \$7 million increase in operating EBITDA included a recovery in the relationship between selling prices and raw material and freight costs of \$13 million, along with earnings from the acquisition of the Healthcare C&C business acquired from Rexam. These contributions were partially offset by the base volume weakness just mentioned, a negative impact from currency exchange rates of \$2 million, along with increased investment in SG&A costs in the base business to drive future organic growth.

Specifically, combined operating EBITDA in our Rigid divisions was up 4% in the quarter over the same period in 2014. This increase can be attributed to the positive relationship between selling prices and raw material and freight costs, along with the addition of the US portion of the Healthcare C&C business purchased from Rexam, partially offset by weak consumer demand.

Combined operating EBITDA for our two Flexible segments increased 3% in the quarter over the prior-year period, primarily as a result of the positive relationship of net selling prices to raw material and freight costs, organic sales volume increases, and contributions from the Healthcare C&C business outside the United States purchased from Rexam, all partially offset by a negative impact from currency exchange rates and increased investment in SG&A costs in the base business to drive future organic growth. We are pleased to report that the operating EBITDA margins for our combined Rigid segments increased to 20.1%, an increase of 1.8 margin points from the June 2014 quarter.

In our Engineered Materials segment, improved to 16.2%, an increase of 1.4 margin points from the June 2014 quarter of 14.8%. Interest expense for the June 2015 quarter was \$47 million, which included \$2 million of non-cash interest expense compared to the prior-year expense of \$56 million.

In the June quarter, we extended our primary revolving line of credit and refinanced \$800 million principal 9 3/4 second priority senior notes, and replaced them with \$700 million principal 5 1/8% second priority senior notes, maturing in 2023. The refinancing cash costs totaled approximately \$90 million in the quarter, and this refinancing activity will yield approximately \$40 million of annual interest expense savings.

Adjusted free cash flow, defined as cash from operations less net spending on property plant and equipment, and payments made under the tax receivable agreement in the June 2015 quarter, was \$140 million, bringing the Company's last four quarters' adjusted free cash flow to \$378 million. Using the stock prices of June 30, 2015 of \$32.40 per share, the \$378 million of adjusted free cash flow represents more than \$3 per diluted share of adjusted free cash flow, resulting in a 9.7% free cash flow yield.

For the quarter, adjusted free cash flow improved \$74 million over the prior-year quarter as a result of improved earnings, lower cash interest costs, working capital benefits, and prudent capital spending. Going forward, we will continue to focus on maximizing our free cash flow alongside investing for future growth.

This concludes the financial review. And now I will turn it back to Jon.

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

Thank you, Mark. As we have said during prior conference calls, we continue to focus on our four key strategic initiatives of, first, reducing our debt leverage; second, driving organic growth; third, expanding internationally; and fourth, continuing to execute value-accretive acquisitions that have historically brought us success.

Leverage in the quarter fell slightly from the March 2015 ending quarter as net debt declined by approximately \$50 million. If you exclude the [\$90 million] (technical difficulty) financing costs spent in the quarter and \$30 million of accrued interest paid one quarter early as a result of the refinancing, our leverage ratio would have been another 1/10 turn lower, which would represent a reduction of 3/10 of a point so far in fiscal 2015 versus our stated annual target of a half a turn.

I would also remind you that, historically, our September ending quarter is our strongest cash flow quarter of the year.

On the innovation front, we continue to make progress with our commercial introductions of Versalite insulated cups. As of July 1, Dunkin' Donuts is now using Versalite cups in their more than 500 New York City locations, and are expanding their use of Versalite to other cities and regions. During the June ending quarter, Versalite cups were commercially introduced to new customers in the C store segment, such as Cumberland Farms, Sheetz, And several other large chains.

These leaders in the C store segment, along with several others currently in process, will be completing their commercial rollout to stores in the next quarter. They will join 7-Eleven, who is also expanding their use of Versalite into new regions; Subway, who continues to use Versalite for cold applications in warmer areas of the country; and Princess Cruise Lines, who is now using Versalite onboard its US-based cruises.

As we look ahead to our final 2015 fiscal quarter, we should continue to realize the benefit from lower resin costs while volumes continue to be a headwind. As you will recall, during our May 2015 conference call, we provided fiscal 2015 adjusted free cash flow guidance of approximately \$350 million, up \$30 million from our initial guidance of \$320 million provided on our November 21, 2014 call.

With only one quarter left in our fiscal year, we are increasing our adjusted free cash flow guidance by a total of 25% from our original guidance to approximately \$400 million. This guidance assumes we will have a source of cash from working capital of approximately \$25 million as a result of lower raw material costs, along with net capital expenditures of \$180 million. We continue to invest in attractive segments like healthcare and personal care packaging, as well as more rapidly growing markets in developing countries where longer-term growth prospects are higher.

Looking ahead, we will continue to take the appropriate steps to maximize our near-term financial results while balancing the long-term need to protect and grow our market share. Cash interests will be approximately \$190 million, and we are reducing our estimate for other costs -- cash costs to \$36 million.

That completes our review of the fiscal Q3 2015 quarter. Now I would like to turn to the slide presentation and discuss the acquisition of AVINTIV that we announced this morning in our press release. I want to start today on slide 3 by stating how excited we are to acquire AVINTIV and combine it with Berry Plastics. Both companies are industry leaders in their space.

Let me give you my perspective on the key strategic reasons why this combination makes so much sense. The combination of Berry and AVINTIV creates an over \$7 billion revenue enterprise with \$1.2 billion in adjusted EBITDA, easily placing us in the Fortune 500. Most important is the synergies that get created with this acquisition. First, there are complementary customers, technologies and product offerings. Nine out of the top 10 AVINTIV customers are also substantial Berry customers today. Both companies have leading product offerings in healthcare, personal care, and engineered materials.

Another key synergy is in material technology and sourcing scale. AVINTIV today is the industry leader in polypropylene non-woven fabric, while Berry is among the largest molders of polypropylene in the world. Combined, we will source and convert nearly 2 billion pounds of polypropylene per year.

Another key synergy is leveraging the people talent of two industry leaders. The leadership at AVINTIV has built a world-class team, and when combined with the people of Berry, will create an innovative engine that will be second to none. We are excited to put that talent to work to create bigger and better solutions for our customers around the world.

In addition to these overarching strategic reasons to acquire AVINTIV, slide 4 highlights other important rationale why we decided to do this transaction. The combination with AVINTIV will diversify Berry's product portfolio towards faster-growing healthcare and hygiene markets, while making us less dependent on food packaging. It allows us to better serve our largest global CPG customers, expands our global reach, and accelerates our ability to grow in the emerging market regions of Asia and Latin America.

As we will detail further, the combination of Berry and AVINTIV create significant synergies through savings and procurement, logistics and SG&A. The ultimate end result of all these advantages will be the strengthening of a company that delivers strong, consistent and predictable earnings while generating industry-leading free cash flow yields.

Now I'll turn it over to Mark, who will provide more details on the transaction, starting on slide 5. Mark?

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

Thank you, Jon. As noted, this morning, we announced our intention to acquire AVINTIV, the leader in specialty materials used in infection prevention, personal care, and high-performance solutions. The purchase price for the transaction will be \$2.45 billion in cash on a debt-free cash-free basis, which represents a 6.9 times purchase price to adjusted EBITDA multiple, taking into account the \$50 million in synergies we expect to achieve in this transaction.

We view these synergies to be low risk, highly achievable, and on the conservative side of the synergies we typically have achieved with our historical acquisitions. AVINTIV has generated over \$2 billion of revenue and more than \$300 million of adjusted EBITDA for the 12 month period ended March 2015. We expect the acquisition of AVINTIV to be both cash flow and EPS accretive to Berry Plastics within the first year.

We've already secured acquisitions debt financing. And subject to market conditions, we will consider raising a modest amount of equity to result in a net debt to adjusted EBITDA ratio of around five times. The proposed transaction, which is subject to customer and closing conditions, is expected to close by the end of calendar year 2015.

Now turning to slide 6, I'd like to highlight some key facts about AVINTIV's business today. AVINTIV is a leader in the \$30 billion global nonwoven industry. About 45% of their sales today are in hygiene segments supplying absorbent products for diapers and feminine care products, where Berry also participates, providing back sheets, overwrap, and applicators. About 12% of their revenue are into medical infection, prevention applications like gowns and masks, where Berry also participates. 13% of their business is in the area of disinfectant wipes, where Berry sells complementary dispensing packages.

14% of AVINTIV sales come from high-margin engineered products like air and water filters, with the remaining 16% of sales coming from building and construction -- another area that overlaps with Berry's film and tape offerings. AVINTIV operates 23 state-of-the-art facilities in 14 different countries on four continents that are supported by more than 4,500 employees.

Slide 7 shows a breakdown of AVINTIV's business by segment and geography. AVINTIV is focused more than 70% on consumer applications and faster-growing health and hygiene products. The acquisition will help to diversify Berry's existing product portfolio. Another advantage of this transaction is that it will accelerate Berry's globalization. Today, more than 55% of AVINTIV's sales are outside North America, where they have established business and leadership teams. This will provide a catalyst to one of Berry's key strategies to expand in faster-growing emerging markets.

Now I will turn it back to Jon.



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

Thank you, Mark. As shown in slide 8, one of the most important considerations in this transaction is the ability to utilize the complementary products and technologies of both Berry and AVINTIV to serve existing common customers. As seen on the left-hand side, both companies serve the largest global players in hygiene and infection prevention. As I said before, nine out of the top 10 AVINTIV customers are also significant Berry customers.

The right-hand side describes the key areas where we will achieve the synergies Mark described. We believe that the initial \$50 million synergy target is conservative and low risk, as it represents 2.4% of AVINTIV revenues, well below Berry's historical average of 5.7%. Like Berry, AVINTIV is a large user of polypropylene, and we expect cost savings and resin procurement. We also expect benefits from purchases of other raw materials in directs, MRO, and logistics, as well as other typical acquisition synergies.

Turning to slide 9, AVINTIV enhances Berry's current business geographically with its significant presence in Latin America, Asia-Pacific and Europe. These are all profitable and growing regions for both AVINTIV and Berry. Overall, the nonwoven polypropylene industry is expected to grow annually above 5% in North America, close to 4% in Europe and Latin America, and in excess of 9% in Asia.

Slide 10 shows the pro forma financial summary of our expectations for the combination of AVINTIV with Berry. The acquisition will increase our revenues by over 40% to \$7.2 billion, and increase our annual EBITDA to nearly \$1.2 billion after achievement of synergies. At the same time, Berry will maintain its current level of operating margins. Pro forma for the acquisition, North America will fall from 96% of our revenues today to roughly 80%, with our international business growing approximately seven-fold.

So, in conclusion, we see this combination as a natural fit for Berry -- complementary with our capabilities, customers, and the markets we serve. We will generate significant value for our shareholders, and truly transform Berry into the world leader in plastics packaging and engineered specialty materials.

We have a strong track record of integrating acquisitions, achieving synergies and creating value. We are excited by the opportunity to grow with customers we already know and serve. This is truly a transformational day for our Company.

And now we are ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Mark Wilde.

Mark Wilde - *BMO Capital Markets - Analyst*

Jon, I'd like to just get a sense of sort of how this nonwovens really -- whether you're going to be able to cross-sell this with packaging products?

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

We are really excited about that. I mean, we are already selling our products in combination with some of their products -- we don't do it together today. And we also sell our products in combinations with other nonwoven products. So I think it's both the opportunity to cross-sell, but even more exciting is the ability to develop products that will interface our products with theirs.



Mark Wilde - *BMO Capital Markets - Analyst*

Okay. And then, Mark, I wondered if you could talk -- just on the free cash flow guidance, it seems like in that \$50 million lift, that \$40 million of that is being driven by lower CapEx and then \$30 million from lower kind of cash interests and other kind of cash costs. So, it seems like the underlying business, you've really kind of reduced your expectations by about \$20 million. Have I got that correctly?

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

It was less than that, Mark, in terms of the earnings reduction, the implied earnings reduction. And I think you've got the interest number a little overstated as well from our last guidance. But yes, a big portion of the \$50 million increase was driven by the reduction in capital expenditures.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. And then finally, Jon, just a sense of sort of how we might think about the Versalite volumes building over the next few quarters. It sounds like you've been very successful in putting this in a lot of retail outlets.

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

Yes. And we continue to have a lot of interest in Versalite from customers. We worked really hard to get the inventory in place for Dunkin' in the quarter. We are expanding with other customers. And also importantly, as the volumes start to grow in, that's leveraging our cost structure, which is improving as well.

Mark Wilde - *BMO Capital Markets - Analyst*

So what would -- if we looked out 12 months from now, any sense of sort of volume -- sort of run rate volume today versus run rate volume for 12 months from now?

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

Of course, we have estimates of that, but I hope you will understand, for competitive reasons, we haven't been disclosing that.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. And should we expect kind of one line per quarter going out over the next few quarters?

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

Well, as we said before in the last conference call, we've now qualified several other equipment vendors. So we have the ability to add capacities in more -- of a more normal sprint mode. And so we can essentially invest and add capacities as demand gets created. So we don't have to lean in so far in advance.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. All right. That's helpful. I'll turn it over.



Operator

George Staphos, Bank of America.

Alex Wong - *BofA Merrill Lynch - Analyst*

It's actually Alex Wong sitting in for George. Thanks for all the details, and good luck with the closing process.

Just on -- if we can start off on the synergies, we would assume that, naturally, it appears that there would be a fair amount of procurement and overhead savings -- and appreciate the detail. But relative to the historical track record that Berry has demonstrated, is there a reason why maybe this sense of conservatism but why that number maybe not a little higher? Can you put a frame around that? And also seems that AVINTIV has made a number of acquisitions recently. And are there any synergies to be realized as well from that?

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

Well, let me comment on the synergies. I think it's part of Berry's DNA to make sure that we take a conservative approach and try to exceed those expectations. I don't think your assumptions are out of line with our thinking, but we want to be conservative as we provide forecasts to shareholders.

With regards to the recent acquisitions of AVINTIV, perhaps, Mark, you have some comments on that?

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

Yes, they do have a modest amount of synergies, and most of that is just related to lapping it. So the actions have been taken, and so it's just a matter of those getting in the full-year impact in the financial statements. But yes, they are -- they did have synergies from the acquisitions and they're certainly being realized.

Alex Wong - *BofA Merrill Lynch - Analyst*

Appreciate. Then just I guess two follow-ons. One just on -- can you provide some color around the timing of the synergies you expect from the \$50 million? And then just as a housekeeping, will AVINTIV be domiciled as a separate operating segment going forward?

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

Well, we are still putting the organizational considerations in place, and we will probably discuss that more as we get closer to the close. With regards to the synergies, we'll try to maximize those as quickly as we can. But I suspect some of those will be a multi-year process. But with the large opportunities in the areas that others have already discussed -- sourcing and so forth, SG&A -- we should be able to realize those sooner than later.

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

And Alex, we've certainly got a preliminary model relative to timing of synergy realization. But what we'd like to do is get back to you on our next call with more details around that.

Alex Wong - *BofA Merrill Lynch - Analyst*

Appreciate that. And I guess the last one from us, if you could update us on the new product discussion, relative to NuSeal Barricade. Just the latest update on their call, something around pet food and perhaps in early 2016. But if you could provide your latest thoughts on that, it'd be appreciated.

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

Still on track to do what we said in the last call. We are very excited about NuSeal Barricade, and we expect to be in the market with a pet food product by the end of this year.

Operator

Roger Spitz, Bank of America.

Roger Spitz - *BofA Merrill Lynch - Analyst*

Do you expect to refinance AVINTIV's loans and bonds? Or will you keep AVINTIV as a wholly-owned sub within your restricted group, but AVINTIV will remain its own restricted group for the purposes of its own debt?

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

Hi, Roger. We can't comment on that yet, but we will certainly keep the market apprised of our intentions there, as well as AVINTIV, I'm sure, will as well.

Roger Spitz - *BofA Merrill Lynch - Analyst*

Sure. Any comment on for the refinancing or financings that you do, how you might at least conceptually think about how much might be loans, second lien bonds? Would you consider unsecured bonds just on a conceptual basis?

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

Sure. Our -- the financing package that we have committed from the banks is a combination of bank and bond debt. And as we move closer to the closing of the acquisition, we'll certainly evaluate the markets and assess which type of security to utilize. But it would likely be a combination of both.

Roger Spitz - *BofA Merrill Lynch - Analyst*

Thank you very much.

Operator

Ghansham Panjabi, Robert W. Baird.

Matt Krieger - *Robert W. Baird & Company, Inc. - Analyst*

It's actually Matt Krieger sitting in for Ghansham. How are you guys doing? Just wanted to ask quickly, so AVINTIV is a very international company in terms of sales and asset distribution. How should we think about that specific element as it relates to your ability to integrate AVINTIV within your existing footprint?

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

It will be a great catalyst for us, as I said before. AVINTIV has a larger footprint in many ways, and larger leadership capabilities outside of North America than Berry, so it's going to be a great opportunity for us to use that footprint as a catalyst for expansion of both their product lines and ours -- with the global CPG customers that we described in the presentation.

Matt Krieger - *Robert W. Baird & Company, Inc. - Analyst*

Okay. And then in terms of that \$1.2 billion pro forma EBITDA number, how much of that is boosted by 2015 resin declines that won't repeat in 2016? Both for AVINTIV and Berry?

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

Well, we'll have to get back to you. I don't know -- I mean, the resin lag certainly has a very modest positive contribution from both companies. But in terms of a specific number, I would -- it's certainly not very significant.

Matt Krieger - *Robert W. Baird & Company, Inc. - Analyst*

Okay, fair enough. And then one last question from me. Given the additional lag in the portfolio, can we expect any sort of existing Berry footprint reshaping or rationalization?

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

Look, as we announced this transformational acquisition today, between now and the close, we are looking at all the options that are available to us.

Matt Krieger - *Robert W. Baird & Company, Inc. - Analyst*

Okay, great. That's it for me.

Operator

Chris Manuel, Wells Fargo.

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

Just a couple questions. First, a couple on Berry and then a couple on -- one on the new AVINTIV. Just to make sure I'm on the right playing field, so Versalite, you're still intending to be at about 2 billion units by year-end, is that correct? Of capacity?

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

We haven't disclosed that. We have, in our facility in Madisonville today, installed over 1 billion units. And we have the ability to add capacity in a sprint mode now with the qualification of new machine vendors.

Chris Manuel - Wells Fargo Securities, LLC - Analyst

Okay. And the pullback in CapEx, can you tell us maybe what got pushed? And to an extent, is there something that kind of gets pushed out to 2016? Or as a standalone Berry, what would we think of for kind of normalized ongoing CapEx than in 2016 beyond, Mark?

Mark Miles - Berry Plastics Group, Inc. - CFO

I think there's a couple of things that impacted the current year, Chris, in terms of capital. One, we were -- we had some sales of facilities that occurred this fiscal year -- I think it was somewhere around \$15 million -- that reduced our capital, that was not in our original plan.

And then secondly, I would say [230] for the base company remains a good number going forward. And I would not expect the next year to be a, quote, catch-up year. So I think [230] is still a good number going forward for Berry on an ongoing basis.

Chris Manuel - Wells Fargo Securities, LLC - Analyst

Okay. That's helpful. But I had a question about AVINTIV. I'm looking on slide 8, and you talk about that the majority of the customers are like 18 of top 20 have some sort of contractual pass-throughs or such for raw materials. Do you have a sense for those, similar to what you have for yours, that kind of reset on a quarterly basis or so? Or how that might change or the risk management profile with pushing material costs through?

Mark Miles - Berry Plastics Group, Inc. - CFO

I think the concepts of their pass-throughs are very similar to the concepts that Berry has in its relationship with customers. With regards to the specifics on any individual customer, we'll obviously be looking at those on a case-by-case basis and seeing if there are opportunities there.

Chris Manuel - Wells Fargo Securities, LLC - Analyst

Okay. That's helpful. Thank you.

Operator

Scott Gaffner, Barclays.

Scott Gaffner - Barclays Capital - Analyst

Just focusing still on CapEx for a minute. In your prepared remarks, I think you said SG&A increased to drive growth; CapEx down \$40 million. And the prior guidance was about \$80 million, I think, of maintenance CapEx, \$150 million to fund growth projects and cost reduction. Are we seeing the CapEx come down in the cost reduction initiatives? Or is it on the growth side? Can you maybe frame that a little bit?

Jon Rich - Berry Plastics Group, Inc. - Chairman and CEO

I would say that, again, we are looking at the marketplace demand profile for sort of our existing product line. So I would say it's mostly in capacity expansions. And as we continue to experience periods of kind of weak consumer demand, we thought it was appropriate to make sure that we didn't get capacities ahead of demand. As we anticipate that demand improving, we will reevaluate that.

Scott Gaffner - *Barclays Capital - Analyst*

Okay. And on the free cash flow guidance, the -- I think, coming out of last quarter, you mentioned that you still had some conservatism built in for some resin benefits. Can you talk about -- did those resin benefits not come through in the third quarter as expected or for the second half of the year? Or is this more base business decline? How should we think about that?

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

We are getting a resin benefit, but I would describe it as not as large as we had initially forecasted the beginning of the fiscal year, largely because many of our suppliers have used this period as an opportunity to expand their margins. So it's still favorable, we still like it, but it wasn't as large as we initially forecasted.

Scott Gaffner - *Barclays Capital - Analyst*

Okay. And just one last one on the deal itself. Obviously, it's a larger size and complexity than Berry has historically done -- you know, normally done an industry consolidator. And so I just -- my question is, acquisitions have been a core competency for the Company, but this is a little different.

Is there -- are there any new competencies that you feel like you have to build out within the acquisition, or within the strategy organization in order to take this on? And maybe, Jon, as part of your background, can you talk about any large transformative deals you've been involved in historically, and how that could help?

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

Of course, I think as you are well aware, my prior experience was at very large companies like GE and Goodyear, and we did some very large deals there, which -- but I think the most important thing is, in my experience, the most important thing is we are getting a fantastic leadership group in the acquisition of AVINTIV. They are very capable. I have absolute confidence that the people at Berry are prepared to execute this flawlessly, as we always have. So I'm extremely confident.

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

And Scott, I would just -- I know this was before we went public on the equity side, but in 2007, we roughly doubled the size of the Company with an acquisition that was around \$1.5 billion in revenue, I think actually slightly north of that, which doubled the size of Berry at that time. So this is not something new to Berry Plastics and the integration team here at Berry. It also included international operations, I would also add to that.

Scott Gaffner - *Barclays Capital - Analyst*

Okay. Thanks for that color. Good luck with the quarter and the acquisition.

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

Thank you very much.

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

Thanks, Scott.

Operator

Debbie Jones, Deutsche Bank.

Debbie Jones - Deutsche Bank - Analyst

In looking at page 6 of your slide deck and just kind of the product offerings, I was wondering if you could just walk us through -- because the growth profile of some of this exposure, you don't want to give forecast, it would just be great to understand what it has been for the Company in the past.

Jon Rich - Berry Plastics Group, Inc. - Chairman and CEO

Well, I think as I stated before, we think that the industry growth in these segments for nonwoven polypropylene will be about 5% North America, 4% in Latin America and Europe, and 9% in Asia. These growth rates we are very excited about, especially when you think about where some of our base food packaging businesses have been. And we think that the ability to combine our technologies and our products will enhance our ability to better serve these customers. And I would also point out that the margin profile of all these businesses is also very exciting.

Debbie Jones - Deutsche Bank - Analyst

Okay. And then you mentioned in the release, you would be considering equity. Is this something that we would hear about in the next few months? When would we get kind of an update on your thought process there?

Mark Miles - Berry Plastics Group, Inc. - CFO

Yes, we will certainly continue to assess the markets, Debbie. I think this transaction -- I'm sure you guys have looked at the math -- puts us right around our IPO leverage, which we've taken down considerably since going public. And that would be our intention going forward here as well.

I would also highlight that our interest coverage, while at similar leverage levels with no equity, our interest coverage is actually a full turn better than it was being public, as well as having a larger scale to support the leverage. So I would say we are perfectly comfortable doing this on an all-debt basis, but we will continue to assess the markets and keep them apprised if we decide to do a very modest equity offering -- if at all.

Jon Rich - Berry Plastics Group, Inc. - Chairman and CEO

And I would just point out that there's nothing about this acquisition today that is changing our commitment to deleveraging the Company and reducing our debt levels. That will remain an intense focus of Berry Plastics as we move forward.

Debbie Jones - Deutsche Bank - Analyst

Okay. Thanks. I'll turn it over.

Operator

Daniel Sherry, Lowes.

Daniel Sherry - *Lowes - Analyst*

I'm just trying to get a sense of -- I know you had mentioned that you are still committed to deleveraging, but I guess I'm just trying to get a sense of -- I mean, do you have -- do you intend to accelerate that? Is there -- as a result of the AVINTIV deal? Or is there -- how does this change what would have been your status quo previously?

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

Well, as Mark mentioned, we are going to look at all of our options to tackle that problem. I would also say that the new Company will generate substantial amounts of positive free cash flow, which we will again target towards debt reduction. And ultimately our goal remains the same, which is we would like to see the Company operate in the 2 to 4 times leverage range. And we will take the appropriate steps to get there as prudently and as quickly as we can.

Daniel Sherry - *Lowes - Analyst*

All right, thank you.

Operator

Mark Wilde, BMO Capital Markets.

Mark Wilde - *BMO Capital Markets - Analyst*

Just a couple of follow-ons. Jon, first of all in the Eventive business, is there much of a difference across these different business segments in terms of the margins?

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

There's only slight differences. I would say they are roughly comparable. And in general, similar to Berry's margins.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. And then just given the growth rates that you pointed out sort of 4% to 9%, is it fair to assume that we're going to see kind of capital move more toward this side of the business going forward, rather than the packaging side of the business?

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

I think as we always do, we will utilize our capital allocation process to maximize the return to our shareholders and improve our growth. But we will look at opportunities on a case-by-case basis. One thing I like about the diversity of Berry today, and even more so going forward, we have a lot of robust and very favorable internal competition for capital, which should ultimately be in the best interest of our shareholders.

Mark Wilde - *BMO Capital Markets - Analyst*

Yes, okay. And then, Mark, is it possible to get a sense of sort of, in aggregate, how much resin benefit you think you've got in the -- in this last quarter?



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

Yes, I think it was actually less than one-third of the \$13 million that we posted in selling price over raw material and freight costs. So it was under one-third of the total of the \$13 million.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. And then I was just kind of curious, when I looked at kind of margins across the segment, they were across the segment, they were all up nicely. But the flattest was the Flexible Packaging. And I wondered if you could just talk about that? It seemed to have gotten less of a lift than the other businesses.

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

I think that's just specific to a couple product lines, the seasonality of demand, and the assets where they are manufactured. I don't think there's anything unusual there.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. All right. Very good. Thanks a lot.

Operator

George Staphos, Bank of America.

George Staphos - *BofA Merrill Lynch - Analyst*

I got on the call late and I know Alex asked some questions on my behalf. Good luck with this. I guess I had a couple questions to start. When you look at the exposure of AVINTIV geographically, as I understand it from their filings, they have been growing in Latin America. How do you think about that exposure here, Jon? And relative to any of the volatility we are seeing in the region, how did you frame that as you were thinking through valuation multiples and the outlook?

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

Two factors. One is, obviously, if you look at the macroeconomic dynamics that are going on in Latin America, that obviously is getting more difficult. But specifically to AVINTIV, and the work that they were doing in Latin America, a lot of that is focused on global multinational customers that are the same they have in other regions of the world. And it's -- my understanding is that they were -- and will continue to gain some share there. So I think obviously macroeconomic headwinds, but specific to the Company and its customers, still a great opportunity.

George Staphos - *BofA Merrill Lynch - Analyst*

So are you suggesting that the macro there would not be affecting their customers because they are multinational? Is that the right takeaway?

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

I think they've been taking some share there, which has been allowing them to manage the macroeconomic environment.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay. I apologize if you've already --

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

I mean, again, the other thing, these are great consumer disposable products, which probably more than almost any other product has to be utilized on a daily basis.

George Staphos - *BofA Merrill Lynch - Analyst*

Yes, but I mean, I do know that there is some change in usage of even baby diapers, depending on the macro. So, anyway, hopefully it won't change all that much but there's a little bit of a cycle there. Have you -- and I apologize if you've already asked this question -- have you broken out how much of the synergies come from procurement resin, et cetera?

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

We have not, George. But again, I think as we did describe, we've taken what we believe is a typical Berry conservative approach to this, with the synergy target being significantly lower than our past historical average. That's not to say that we don't believe that we can do better than that, but we want to make sure that we can deliver on our commitment here.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay. So my last question -- and again we can understand why this would be an interesting business for you. It looks like the synergies that you talked to on page 8 are largely aimed at cost, and creating more value from that standpoint.

To the customer, aside from that, the customer either of AVINTIV products or Berry products, why will they be actually better off, in your view, with these two companies having been combined? What is going to be the additional benefit you can bring them now, because you own this nonwoven's business? Or similarly, what can you take from AVINTIV that's going to make your Custom Closures and Flexible Packaging business better and more effective as a competitor? Thank you.

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

We are really excited about that. I think we are still at the beginning of it, but most excited about the opportunity to sort of deliver solutions to our customers that will allow them to significantly reduce either their processing time, their assembling time and so forth. Because we have already put our products together in sequence with AVINTIV products, it's really going to simplify processes for our end customer.

George Staphos - *BofA Merrill Lynch - Analyst*

Jon, just the last one. Could you give us a for instance there? And again, good luck in the quarter.



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

Well, again, I mean, if you think about the fact that they are making absorbents, we are making back sheets, those have to get together somehow. You think about wipes and disinfectant wipes where they have a big position, we've got some really innovative dispensing technologies for that. And that's just the edge of it.

I think while we haven't put a number on it, the ability to create really differentiated innovative product solutions for our customers is probably what excites Joel Hackney and I the most.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay. Thanks very much.

Operator

Alex Ovshey, Goldman Sachs.

Alex Ovshey - *Goldman Sachs - Analyst*

A couple of questions for you. One, can you talk about how much cash flow the business spits off annually?

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

Yes, sure, Alex. It's Mark. Hey, good morning. You know, we think post -- again, synergies utilizing the conservative estimate, post certainly some of the integration costs that we will deal with, on a fully debt-financed basis, we think the free cash flow is in the neighborhood of \$100 million.

Alex Ovshey - *Goldman Sachs - Analyst*

All right. Got it, Mark. Thank you for that. And then just a couple of questions around the financing. Do you have any sense for how you will finance in terms of fixed versus floating, and cost of debt, any kind of initial feel for that at all?

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

Yes, well, I think I may have mentioned this earlier; I apologize if it's redundant. But it will likely be a combination of bank and bonds, and certainly we will utilize hedging strategies to ensure the Company is protected from interest rate volatility. And we will evaluate kind of the mix, depending on market conditions. And we will be continuing to evaluate that as, between now and closing, and work towards getting the permanent financing locked down. We'll certainly keep the market apprised of that.

Alex Ovshey - *Goldman Sachs - Analyst*

Got it. Okay. And then the return on invested capital for a company like AVINTIV, can you just talk about what it is and how it compares to Berry's business?

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

Sure. There -- I think Jon mentioned, and you can probably tell from the slide deck, their EBITDA margins are very similar to Berry's with very high growth potential. And their capital requirements are actually right in line with Berry's, around 5% of sales. So the profile actually fits very well and closely with Berry in many amounts.

Alex Ovshey - *Goldman Sachs - Analyst*

Great. If I could just ask one on Versalite, and I'll turn it over. So a number of new customers announced obviously the ramp in New York with Dunkin'. Based on the volumes that you guys are just placing to the existing customer base right now you've identified, is that enough to generate positive EBITDA out of the Versalite business?

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

The EBITDA of Versalite product line is improving nicely on a sequential basis quarter-by-quarter. So we are pleased with that.

Alex Ovshey - *Goldman Sachs - Analyst*

Is it a positive, Jon?

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

We -- it's heading in the right direction.

Alex Ovshey - *Goldman Sachs - Analyst*

Fair enough. Thank you very much, guys.

Operator

Howard Bryerman, PENN Capital.

Howard Bryerman - *PENN Capital Management - Analyst*

Just circling back on the financing of the transaction, you had mentioned that -- or someone had asked what the organizational structure would be, whether this would sit as a separate entity, whether it be rolled into Berry. Can we assume that the financing, whatever shape it does take, will be at the same level of the organizational structure that the other debt is?

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

Yes, I mean, we will provide more details around the financing as we go. But I think -- yes, new debt would likely be, at the Berry Plastics level, the same as the other debt. That's fair.

Howard Bryerman - *PENN Capital Management - Analyst*

You -- I realize that it will be a mix. Can you give us a little bit more information on how that mix might spell out? Do you expect 50/50, 75% in bonds, 25% in term loan? Is there a way we can break that down a little bit more?

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

Not at this time. We'll -- again, we will continue to keep people updated, but at this time, we don't have any more information.

Howard Bryerman - *PENN Capital Management - Analyst*

You probably won't be able to answer the next question either. Will this be above or below the second lien debt?

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

Yes, we are not in a position to be able to answer that today. I apologize.

Howard Bryerman - *PENN Capital Management - Analyst*

And I think many people have tried to attack this question -- do you have a timeline as to when -- how quickly you will delever? Or more specifically, how rapidly could we get from five times back down to four times?

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

I mean, our current target before the transaction was a half a turn a year. Where we -- obviously, we mentioned this was free cash flow accretive and had very attractive growth characteristics. So we will reassess that and update the market, but we would expect to continue to delever, just as we did over the last three years. And we will update that goal as we approach the closing.

Howard Bryerman - *PENN Capital Management - Analyst*

Most companies announcing a transaction of this size usually put out a pro forma capital structure and a timeline of deleveraging. Do you know how quickly you can disclose that information to the investors on this call?

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

Yes, we'll provide updates as quickly as we can. Obviously, we are excited about the acquisition and pleased to announce it today. And we will continue to get the market up-to-date.

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

And as I stated before, nothing about this acquisition changes our commitment to debt reduction and leverage reduction.

Howard Bryerman - *PENN Capital Management - Analyst*

Yes, I get that, but that's what I'm trying to get my hands around. And when you announced adding \$1 billion of debt to your capital structure, it's kind of important to have a little bit more -- as an investor, up and down your capital structure, it's kind of important to have that information --



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

We will provide that information to the entire market as fast as we can and as appropriate.

Operator

Chris Manuel, Wells Fargo.

Unidentified Participant

One quick follow-up, Mark -- this is actually Gabe. Can you discuss -- I think you mentioned some integration costs associated with the transaction, what that might look like over the next 12 to 18 months?

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

Yes, well, we certainly have some preliminary views of that. Before I communicate that, though, I want to make sure we continue to go through the integration process and the planning with the Company. And we will certainly update you. I don't have a specific number, Gabe.

I think you could probably look at some of our track record there and probably make a pretty good estimate. But we will certainly make sure we get back to everyone with more details around both the timing of the synergies as well as the cost to achieve the synergies.

But I would say, generically, as you think about the synergies that Jon described, especially around the procurement, obviously the costs there are negligible, if any. And the timing as well as the realization is very quick. And given the scale of the opportunity here, that obviously represents a pretty big portion of the synergies.

Unidentified Participant

Okay. And kind of a housekeeping or one last question around D&A and CapEx. Is it safe to assume maybe some of the publicly available information around D&A is accurate, given that a lot of this business has been recently acquired? And then a CapEx number, \$75 million to \$100 million for this Company? I know you said 5%, is that reasonable?

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

Yes, around \$100 million is exactly a very good estimate for CapEx going forward. And D&A, obviously the amortization will be impacted by this transaction, certainly. And as we get the valuation report finalized, we will provide more color around the non-cash amortization from the transaction.

Unidentified Participant

Okay. One quick last one. Is this equity? Or are you buying assets so you get the step-up in basis for tax purposes?

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

No, it's equity.



Unidentified Participant

Okay. Thank you.

Mark Miles - Berry Plastics Group, Inc. - CFO

Although, Gabe, I would point out they have a -- and you will see this in the filings -- they do have a significant NOL that we are acquiring as part of the transaction.

Unidentified Participant

Thank you.

Operator

Thank you. And ladies and gentlemen, this does conclude our question-and-answer session for today's call. I would now like to turn the call back over to management for any closing remarks.

Jon Rich - Berry Plastics Group, Inc. - Chairman and CEO

We certainly appreciate everybody's participation in today's call. We recognize that there may be follow-up questions that people have. I certainly encourage you to reach out to Dustin Stilwell in our Investor Relations department. And we will get back to answer your questions as quickly as possible.

We are very excited about today's news and the transformation of Berry Plastics. And we look forward to talking with you again at our next conference call.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone have a wonderful day.

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