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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Berry Plastics earnings conference call. (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. Sir, you may begin.

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

Thank you. Good morning, everyone. Thank you for joining us and welcome to the Berry Plastics first fiscal 2015 quarter earnings call. Throughout this call, we will refer to the first fiscal quarter as the December 2014 quarter.

Joining me today from the Company, I have Berry's Chairman and Chief Executive Officer Jon Rich and our Chief Financial Officer Mark Miles. This morning they will review our financial performance for the December 2014 quarter and make a few comments on the overall business, our strategies and our new products.

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 GAAP and non-GAAP financial measures 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.

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

Now I'd 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.

First, I would like to comment on a recent change to our Board of Directors. In early January we announced the appointment of Steve Sterrett to our Board of Directors. Steve most recently served as Senior Executive Vice President and Chief Financial Officer of Indianapolis-based Simon Property Group, Incorporated, a member of the S&P 100 and the largest real estate company in the world. We are very pleased to welcome Steve to our Board and look forward to the contributions and insights he will offer as we continue to pursue initiatives in support of our four-point business strategy.

I would also like to extend our sincere appreciation to David Heller, who stepped down as a member of our Board of Directors in early January.

Now turning to our December ending quarterly financial results, revenue increased by 7% over the prior-year quarter to $1.220 billion while generating operating EBITDA of $182 million, both records for any December ending quarter in the Company's history.

Operating EBITDA improved by $10 million or 6% over the same prior-year quarter. This increase is primarily a result of improved operational productivity and cost savings from our previously announced restructuring activities along with contributions and synergies from our recent acquisitions, partially offset by unfavorable product mix and soft demand.

Operating EBITDA for the margins came in at 15% similar to the same prior-year quarter. Our adjusted free cash flow for the quarter and the full calendar year was $36 million and $244 million, respectively. Mark will provide more details on our quarterly financial results momentarily.

Volumes in the quarter continued to be pressured by soft consumer demand for packaged goods at grocery as evidenced by the Nielsen survey data for the December quarter, along with relatively weak traffic at restaurants. Both of these are trends that have been noted now for several quarters. The Nielsen survey data showed total unit volumes at grocery down 8/10's of a percent for the quarter versus the prior year. Specifically, the dry grocery and dairy segments that comprise almost 60% of the survey were down 1% and 1.2%, respectively.

Looking deeper in the categories, products such as crackers, cereal, butter, soft drinks, and frozen foods where we have a strong presence declined 2% to 4% during the quarter. Meanwhile, categories including those noted as healthy choices comprised of produce and deli as well as water and other noncarbonated drink beverages were up for the quarter. We will continue to closely monitor these shifts in consumer demand.

Berry's volume for the December 2014 quarter as measured by resin pounds sold on a pro forma basis adjusted for our recent acquisitions decreased 1.6% compared to the same prior-year quarter. This result is consistent with the Nielsen survey data and the results publicly reported by many of our customers.

Overall, we believe we are maintaining our share in the marketplace and in fact we experienced volume growth in several product categories including prescription containers, bottles, institutional can liners, and flexible packaging for food and consumer goods.

Consumer demand for packaged food products is under pressure now for over two years. During this same period, our plastic raw material costs rose by over 25%. This combination has put pressure on industry margins and asset utilization rates, which we have been able to partially offset so far through pricing actions, asset consolidations, the introduction of new products, and synergies from our acquisitions.

In mid-2014, commodity grain prices began to fall significantly and in December oil prices dropped precipitously. In a moment, I will comment on the potential impact of falling oil prices on our cost structure, but perhaps even more important is the anticipated stimulus effect that falling gasoline and food ingredient costs should have on increasing consumer demand.

So far we've not seen meaningful changes in consumer behavior, but it may just be too soon. Gasoline prices started dropping more significantly after the first of the year. We believe that demand for food, personal care products, and other packaged goods should increase throughout 2015. At the same time, it's difficult to predict exactly how or when consumers will spend the savings from falling gas prices.

Throughout this period of weak consumer demand and rising raw materials, we have consistently adhered to our four-point strategic plan, aggressively pursued productivity and efficiency gains, increased our investments in innovation and marketing, and continued to price our products to reflect the value they bring to our customers. This in combination with Berry's inherent competitive advantages of scale and diversity of customers and products has allowed us to consistently deliver value to our shareholders throughout this challenging period.

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 strategies, new products, and discuss our perspective on the impact of falling oil and plastic resin prices. Mark?

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

Thank you, Jon, and good morning, everyone. Net sales for the quarter were $1.220 billion compared to $1.140 billion for the December 2013 quarter. This 7% increase was primarily attributed to revenue from our acquisition of the healthcare containers and closures business purchased from Rexam. Additionally, selling prices were 3% higher than the prior-year quarter due to the pass-through of higher resin costs and general price increases to cover non-resin related cost inflation.

Combined net sales in our two rigid divisions increased by 6% when compared to the December 2013 quarter, principally as a result of the addition of the US portion of the healthcare containers and closures business purchased from Rexam along with a 4% increase in net selling prices due to the pass-through of higher costs.

Similar to the past several quarters, demand for specific products in our rigid businesses that predominantly sell into the food and beverage markets tracked the Nielsen survey data. As Jon mentioned earlier, several of our rigid products reported on in the Nielsen survey data witnessed negative year-over-year volumes including soft drinks, which impacted our closures revenue, along with butter, sour cream, and margarine, which impacted our containers business.

As discussed in prior earnings calls in the December 2013 quarter, we entered into new agreements with several existing thermoformed drink cup customers where our contracts prior provided exclusivity or very high market share at those accounts. Excluding the impact of those renegotiated agreements, our thermoformed drink cup sales volumes improved in the quarter over the prior-year quarter. The December 2014 quarter marks the end of the year-over-year impact of those renegotiated agreements.

In our flexible businesses, consisting of our engineered materials and flexible packaging segments, combined net sales in the quarter increased by 8% over the prior year. This increase was primarily attributed to revenue from our recent acquisition of Rexam's healthcare containers and closures operations outside the United States and a 3% increase in net selling prices due to the pass-through of higher raw material costs. Sales volumes in our flexible businesses excluding the impact from the acquisitions and selling price changes decreased 2% on a dollar basis over the prior December quarter.

Operating EBITDA was $182 million for the December 2014 quarter compared to $172 million in the prior-year quarter. This $10 million increase in operating EBITDA included net cost reductions and improved productivity and manufacturing of $5 million, as well as the earnings and synergies realized from acquisitions. These contributions were partially offset by base volume weakness primarily in our rigid open top segment and increased investment in SG&A costs in the base business to drive future organic growth.

Additionally, for the first quarter since the June 2013 quarter, our selling price increases at $39 million over the prior-year quarter exceeded the direct material and freight increases of $35 million on the same basis.

On the cost side, resin prices have an average two month lag to pass through our balance sheet to our income statement. As such, our December quarter was impacted by higher resin prices from August through October. The average prices of polyethylene and polypropylene were approximately 10% and 6% higher, respectively, over the prior-year period. These primary resins for Berry peaked in October and the impact of the market decreases in November and subsequent months will begin to positively impact our income statement in the March quarter.

Average November 2014 through January 2015 resin prices per pound for polyethylene were essentially flat versus the prior-year period and polypropylene prices were approximately 9% lower than the prior-year period.

The year-over-year impact on our income statement related to the contractual pass-through of resin costs to our customers, which covers about 75% of the resin pounds we purchase, was unfavorable in the December 2014 quarter by approximately $2 million. We expect this relationship will have a favorable impact over the prior-year quarter in our March 2015 results.

Combined operating EBITDA in our rigid divisions was down 2% in the quarter over the same prior quarter in 2013. This change can be attributed to reduced earnings from the sales volume weakness and renegotiated drink cup agreements within our rigid open top segment that we just discussed, partially offset by productivity improvements and cost-reduction actions taken as well as the addition of the US portion of Rexam's healthcare containers and closures business.

Combined operating EBITDA for our two flexible segments increased 18% quarter over the prior-year period primarily as a result of improvements in manufacturing efficiencies and cost-reduction actions, contributions from acquisitions, and the positive relationship of net selling prices to raw material costs partially offset by sales volume weakness.

Interest expense for the December 2014 quarter was 4% lower at $53 million, which included $2 million of non-cash interest expense when compared to the prior-year expense of $55 million. I would remind you Berry has additional opportunities to further reduce interest expense through free cash flow and the potential refinancing of our 9 3/4% second priority senior notes, which become callable in January 2016.

We will continue to monitor the markets and we'll take actions when and if appropriate.

Income tax expense of $3 million was flat for the quarter versus the prior-year quarter in spite of $7 million of growth in pretax income. The Company benefited from the recognition of $3 million of research and development tax credits from prior periods as a result of the recent extension.

Adjusted EPS for the quarter was $0.27, which included $0.04 for the add back of non-cash amortization expense resulting from historical private ownership of Berry in order to make our results more comparable to other public entities.

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 December 2014 quarter was $36 million bringing the Company's LTM adjusted free cash flow to $244 million. As a reminder, the annual payment under the tax receivable agreement which was $39 million in the December 2014 quarter is made once per year in the first fiscal quarter of the year and therefore no payments are due under this agreement for the remainder of the fiscal year.

As a result of our strong free cash flow generation, we made a voluntary principal payment of $100 million on our term loan in the December quarter.

For the quarter, working capital was a cash usage of $16 million primarily as a result of inflation and timing on inventories and accounts payable. Excluding changes in the cost of resin, we estimate flat working capital for fiscal 2015. However, just as inflation has negatively impacted our working capital over the last couple of years, resin cost decreases will be favorable to cash from working capital. Excluding changes in days of working capital, a penny change across all grades of resin that we purchase would impact our working capital over time by approximately $4 million.

Going forward, we will continue to focus on maximizing free cash flow alongside investing for future growth. This concludes my financial review, and now I'll turn it back to Jon.

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

Thank you, Mark. As we've 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.

Our top priority remains reducing our debt leverage to a goal of 2 to 4 times multiple of adjusted EBITDA. In the quarter, we were able to reduce our leverage by 1/10 of a turn to a quarter end level of 4.5 times. Our plan for fiscal 2015 is to achieve our goal of a half turn reduction in leverage.

On the innovation front, we continue to make progress with our commercial introductions of Versalite insulated cups and containers. With the recent decision to ban expanded polystyrene in New York City, the commercial interest in Versalite technology has certainly escalated.

We have landed new customers throughout the US. Specifically in New York, we are working to help customers meet the July 2015 timing of the new regulations in New York City. In our opinion, Versalite cups continue to far exceed the performance of any paper cup available in the market today. It keeps coffee hotter longer and doesn't require a sleeve or putting two cups together to keep from burning your hand. In addition, Versalite is sturdier, displays the customer's brand image with vibrant high definition graphics. And when you're done, you simply put it in the recycling bin with your other number five plastics. Versalite is among the most easily recycled cups available today.

As falling prices for our key raw materials reduce our costs, we'll be able to offer our customers all of these advantages at a price that is very competitive with paper cups.

We are pleased to report that the first commercial package utilizing our NuSeal and Barricade product technology hit the commercial shelves in the December ending quarter. The all-plastic oval-shaped package is being used for dips marketed by PepsiCo under the name Tostitos Dipetizers. This product is being promoted on national television and can be found at retailers including Walmart across the United States.

We also made progress in this category in the quarter for other target market opportunities. Our offering allows our customers a lighter weight product with high definition graphic capabilities and design flexibility at a competitive price.

On the international front, Berry continues to pursue a strategy of growing our business overseas, especially in areas such as Latin America and Asia where we believe growth and population demographics and rising average incomes will provide substantial future opportunities. Our stated goal is to grow in these regions at or above Berry's net average EBITDA operating margin.

Today, Berry's revenues outside the United States constitute only about 10% of our total sales, and in 2014, achieved an operating EBITDA consistent with Berry's total company average. While the US dollar has strengthened recently against most currencies, we don't anticipate that the changes that have occurred to date will have any significant impact on our financial results.

Now, I'd like to turn to and address the potential impact that falling oil prices may have on Berry Plastics. At the beginning of the quarter on October 1, West Texas Intermediate oil was trading at about $90 a barrel. By the end of December it had fallen by nearly 50%. I can tell you quite honestly that we did not forecast this, but we like it.

Historically, there has been a strong correlation between oil prices, polyethylene, and polypropylene. And looking back at prior periods where oil prices moved significantly, we saw that PE and PP typically move in concert at about 60% to 70% of the magnitude of oil. In other words, if oil has dropped 50%, we would expect PE and PP to move down 30% to 35% in response to oil.

So far in this most recent cycle, resin costs have started following this historical trend. Polyethylene and polypropylene began moving downward in November. Through January, PE is down about 15% and PP down more than 20%. Recent spot prices for PGP, polymer grade propylene, and current sentiment suggests that resin prices should continue [following] over the next several months if oil remains at current levels.

As Mark mentioned earlier, Berry is on FIFO accounting and these reductions in raw material costs typically pass through our inventory over a two-month period. As such, there was no benefit to our December ending quarter results and in fact, we experienced the negative effect of rising raw materials in the quarter. We expect these recent declines to pass through and begin to impact our income statement in our second fiscal quarter.

If oil remains constant, and resin prices respond as we have described, we would anticipate that resin related raw material costs could reduce our cost of goods sold over $500 million on an annualized basis. As we have previously communicated, approximately 75% of Berry's resin pounds sold are conducted under contractual agreements that pass resin changes through to our customers resulting in about a net 30 day average lag on our income statement. The remainder of our business is spot pricing. In addition to reducing our costs, falling resin prices also favorably impact our working capital with every $0.01 per pound change in resin cost equating to about $4 million in working capital.

As you will recall, during our November 21, 2014, conference call, we provided fiscal 2015 adjusted free cash flow guidance of approximately $320 million. This estimate assumed flat plastic resin costs and had conservative sales volume assumptions. Our capital investment plan for fiscal 2015 is approximately $230 million. Our results in the first fiscal quarter of 2015 were consistent with the $320 million full year free cash flow goal.

As we look forward to the March ending quarter, the 2014 quarterly results were negatively impacted by approximately $7 million due to winter storms in January and February of last year. While we can't forecast weather for the remainder of the quarter, we expect these costs to be nonrecurring.

Additionally, we should begin to realize the benefit from lower resin costs in the last half of the quarter. Customer demand in January remains similar to recent trends and is consistent with the conservative sales plan we discussed in November. Taking these factors into account, today we are reaffirming our stated free cash flow fiscal year guidance of $320 million. We recognize that this goal would appear to be more conservative now than when we announced it in November.

If we realize lower resin costs consistent with the expectations we describe today and oil prices stabilize at the current levels or lower and assuming that volumes remain consistent with the conservative plan we outlined, we would expect to update our guidance to reflect these factors after the March ending quarter.

Finally, Berry will continue to take the necessary proactive steps to remain competitive and a leader in plastics packaging through a relentless focus on building and strengthening our competitive advantages. I am confident that the people at Berry will continue to drive our results and achieve our goals.

I thank you for your continued interest in Berry Plastics, and now we're ready to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Scott Gaffner.

Scott Gaffner - *Barclays Capital - Analyst*

Just wanted to go back and look at the quarter. You did mention that you were still negatively impacted I guess in the first quarter by increases in resin prices.

I guess a two-part question on that. One is did you see customers delaying purchases at all and destocking from their end as resin prices came down throughout the quarter? And secondly, can you go back to 2014 and tell us sort of the -- I know you had some unrecovered resin price increases as you went through the year. Can you give us that data by quarter?

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

Thanks, Scott. I'll take the first question and then I will turn it over to Mark for the second part. Look with regards to our customers' behavior, I would say first of all we don't have a great deal of transparency to that. Secondly, most of our customers, large customers, don't have the ability to move their inventories in a dramatic fashion. I would say if we saw any impact of people waiting to get the positive impact of falling raws, it might've been in our distribution channels. But overall, I would say the impact was relatively small.

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

With respect to your question on selling price versus raw material. With respect to the 75% portion of the business that's -- has a resin escalator/de-escalator -- that relationship year over year for the December quarter was unfavorable by $2 million. If you look back to the March 2014 quarter versus zero, that relationship was unfavorable by $1 million but the March 2013 quarter was unfavorable by $2 million. So year over year in the March quarter a year ago, it was favorable by $1 million.

On the other 25% of the business, which again is predominantly in our engineered materials segment, you may recall that the March 2014 quarter, we had an unfavorable relationship. In each quarter sequentially that relationship improved, including the most recent quarter, the December 2014 quarter.

Scott Gaffner - *Barclays Capital - Analyst*

Okay, and then, Jon, you mentioned the pickup in demand within New York City around the ban on Styrofoam. I was just wondering, can you talk about how you're balancing the improved demand or improved customer focus on possibly polypropylene alternatives when you're still trying to serve the existing customers with a relatively limited or constrained manufacturing base? Can you talk about how you're balancing the two and what's the opportunity? Are you still capacity constrained or is there something you can do in the future to serve both customers?

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

Yes, first of all, obviously the ban in New York City created a lot of interest in Versalite technology. We are working with a variety of different customers to try to make sure that we can meet their needs as they try to comply with the regulation. It goes into effect on January 1, 2015.

With regards to capacity -- July 2015, yes. The regulation goes into effect July 1, 2015. With regards to capacity additions, we continue to add capacity at the rate that we have described in the past. We are working with our vendors and both current vendors and new vendors to try to make sure that we can meet that pace or have the ability to accelerate it. And with regards to our customers, we're working with them as they come to us to try to make sure they can get Versalite products when they need them.

Scott Gaffner - *Barclays Capital - Analyst*

Okay, and should we expect any large customer announcements anytime soon?

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

You know, we are really excited about Versalite. We're working with a variety of different customers, and we're going to let them talk about their business plans as they develop them.

Scott Gaffner - *Barclays Capital - Analyst*

Fair enough. Appreciate all the color.

Operator

Chris Manuel.

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

Thanks for taking the call. I have a couple of quick questions for you. When we think about some of the other elements through the base business, has, given the contract adjustments and your deep draw thermoformed and some of the pieces you've talked about, have volumes there stabilized as you sit today? And some of the data that we are looking at through C-store channels suggests that in C-store consumption has picked up 5% to 10%. Have you or do you anticipate seeing any lift with respect to that?

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

I think specifically with regards to thermoformed drink cups, as Mark described, net of the customer relationship that we've been talking about now for several quarters, drink cup demand did increase on a year-over-year basis and the December ending quarter continued that trend. So I think we are seeing some of the same phenomenon that you had described.

At the same time I would tell you across our entire portfolio of products, we're still waiting to see a more significant increase in consumer demand for packaged goods, which we anticipate will happen as gas prices fall. But we haven't seen it in a meaningful way yet.

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

Okay, that's helpful. Two last quick ones. One, with the lower raw material environment that you are beginning to see, we've talked in the past or you've shared this in the past some of your expectations with respect to margin on new products. Does that get or does potentially not even a percent margin but the dollar profit per unit -- does that potentially get enhanced at all from lower material costs? Will there be some of that that you can potentially keep?

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

I think it depends on the specific new product. Let me just comment on Versalite specifically. There, what we're trying to do is get a broad-based acceptance of that product and we are looking to make that a standard for insulated cup uses across the country and ultimately around the world. So I think we're going to move to hold the margins that we have described in the past, but we will use our cost competitiveness to try to take more share.

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

Okay, that's helpful. And then the last quick one is you've been putting through some base business -- or I'm sorry, nonmaterial based price increases. I think two during 2014. Can you give us maybe an update on where you are and effectiveness of those and has some of the other reduction either helped or hurt the process of doing that?

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

Chris, so we had two in calendar 2014 -- non-resin related increase. Both of those were designed to cover cost increases outside of resin.

As noted on the call in December, our selling prices did exceed our raw material cost changes year over year. We actually achieved positive net productivity in the operations area where some of the other cost increases would have been. So I guess the short answer to your question is, yes, we feel as though the price increases that we announced achieved the objectives that we had laid out.

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

Thank you, I have a few more but I will jump back in the queue. Thank you.

Operator

Alex Ovshey.

Alex Ovshey - *Goldman Sachs - Analyst*

Jon and Mark, can you talk about the financial impact of the Versalite business in the quarter? What was the impact on EBITDA? And now that we have started the year, quarter into the year, we've got the positive news around New York potentially. Can you just provide a little more detail around what the financial impact of Versalite may be in 2015?

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

I think in the December ending quarter, no impact. We still are incurring costs related to the startup of new products and so forth. So we do anticipate that revenues will increase throughout the fiscal year and the calendar year but in the December ending quarter, no meaningful impact.

Alex Ovshey - *Goldman Sachs - Analyst*

On a year-over-year basis for the year should the contribution be positive to EBITDA from Versalite?

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

Yes.

Alex Ovshey - *Goldman Sachs - Analyst*

Okay, and just on resin -- I'll try to ask this in a very simple way because it's really complicated to talk through just because of all the lags, but just looking at last year and the bridge for the entire Company, I believe the price relative to your resin, other inflation I think was under recovered by $27 million? I believe most of that is resin. So given where the price of resin is today, should we assume that you at least recover that $20 million plus of headwind from last year?

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

So last year, you are correct, we were unfavorable in the order of magnitude of the number you described. I would break it up into its components. On the contractual piece, we were unfavorable just under $5 million. The lion's share of that under recovery was, again, in the noncontractual piece, the 25%. And that under recovery, as I just mentioned on a prior question, improved sequentially each quarter.

Alex Ovshey - *Goldman Sachs - Analyst*

Okay, but just from an absolute basis, I mean, is it reasonable to think that minus $27 million is a plus $27 million? Is there any sort of range you could provide around that?

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

Yes, so the assumption in our $320 million of free cash was flat, right?

Alex Ovshey - *Goldman Sachs - Analyst*

Right.

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

To the extent resin winds up being down year over year -- obviously it's still early in the year, right? We're four months into the fiscal year. To the extent resin drops that would historically provide a tailwind and the inverse if it's an increase for the year.

Alex Ovshey - *Goldman Sachs - Analyst*

That's fair, Mark. Great, thanks, Jon as well.

Operator

Al Kabili.

Al Kabili - *Macquarie Research Equities - Analyst*

I guess, Jon, with the increased interest in Versalite, I think in the past you've said if you -- sort of the total conversion opportunity with existing customers was around $3 billion. Has that number moved up materially with the new customer interest that you mentioned you're taking on?

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

I think the served industry market remains same. I think you have to divide that up in terms of customers today that might be using expanded polystyrene and people that might be using paper cups. By far, the largest piece of that today are people that use paper.

As the regulatory environment impacts expanded polystyrene, we are one of the alternatives that people can consider. But more importantly, we think compared to the paper cup offerings that are out there, Versalite has just dramatically improved performance for the consumer. And that is our primary focus.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay, all right. And any -- in terms of number of customers at this point, you're working with and trials, et cetera, is there any kind of ballpark number you could update us on?

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

Look, I think we are working with a number of different customers and those products should be out on shelves here in the near future. I'm not going to comment on them until they either decide they want to comment first or consumers are actually able to purchase the product at retail.

And so, I hope you'll appreciate that for competitive reasons and with respect to making sure that my customers -- I'm not out in front of my customers. I'm going to let them talk about it first. If they don't talk about it and we are out there selling to consumers, we'll comment on it then.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay, I can appreciate that, Jon. All right, and then, Mark, just a final question for me is over to you. Just on the flat assumption on the sort of price cost, if you will, and I appreciate there's upside if resin continues to trend downward. But wouldn't we also just get a positive contribution from the recovery of the non-resin inflation this year that was a headwind next year? Or is that sort of already implicitly in your guidance? I wasn't clear on that part, thanks.

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

Sure, that is true, Al, that that would be a reasonable assumption. And that is built into our free cash guidance.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay, all right, thank you very much, and yes, good luck.

Operator

George Staphos.

George Staphos - *BofA Merrill Lynch - Analyst*

Thanks for all the details. I guess the first question I had without getting into specific product lines or customers, which obviously you can't comment on, as you were mentioning on Al's question. Would there be a way to size what the revenue contribution will be this year from the various new products that you have hopefully coming out between Versalite, between Barricade and NuSeal. Maybe that gives us a little bit more cover where you can talk about the actual benefit this year?

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

I would say, George, historically we have not commented specifically on those topics. I hope you can appreciate that out of A, respect for the customers that we are working for; and B, not trying to tip my competitors early in terms of where we think the impact of our new products will be, I'm going to try to refrain from commenting on that.

I do think as we go through the year if our customers want to talk about it, we would be happy to do that together with them, but I'm not going to get ahead of them.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay, I understand. I was hoping maybe in an aggregate form you could comment because you wouldn't be specifically identifying, but that's fine.

Now, next question I had is broadly around competitive response. So there are obviously a number of expanded polystyrene cup producers out there; some larger, some smaller. Are you seeing -- recognizing that at the end of the day if your EPS is your EPS, you can't change that. Are you seeing any competitive response from those producers either in terms of pricing of their products or in trying to get into alternative packaging formats that would then allow them to perhaps come back and compete against paper and compete against polypropylene?

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

George, I would say as a general rule, we don't comment specifically on what our competitors are doing. I will tell you with regards to Versalite specifically, we have been so focused on both creating and introducing what we think is the world's best insulated cup. We've mainly been focusing on consumers and making sure we can deliver to them a package that's so exciting to them that they won't want to drink out of anything else. So, I wouldn't say that we spend that much time thinking about either our EPS competitors or our paper competitors. We're mostly focused on our customers and consumers.

George Staphos - *BofA Merrill Lynch - Analyst*

All right, Jon, I appreciate that. Maybe I'll follow up later on on that.

A couple of others and I will turn it over. Can you comment at all in terms of some of the improvements we saw, specifically, within the flexible piece of the broader flexible segment as you aggregated it? So specifically in flexible packaging; less interested in what you saw in materials in the quarter. It was a nice margin improvement.

And then if you could just comment maybe, Mark, I want to go back. You mentioned something to the effect of a $500 million, if I heard you correctly, benefit to COGS from resin. Is that an actual annualized figure you would get at current resin prices, or should we shave a fairly large portion off that for the relatively small window you have in terms of timing lags?

Thank you, and I'll turn it over with that.

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

George, this is Jon. I'll take the first question about flexible packaging and then I'll turn it over to Mark, he can give you the dialogue regarding raw materials.

But we were very pleased again, as we commented on our last quarter, with the performance of both our flexible packaging business and our engineered materials businesses. Both of those two teams continue to do a fantastic job. We saw margin expansions in flexible packaging. Again we've stated in the past that we've trying to get that business to 15% margins and they made another important step.

I would say their progress is being driven by a combination of some very good new products, especially in the personal care and printed food packaging area. Some really great work on productivities. They are reaping the benefits of some capital investments we made in the past to both improve productivity and efficiency. So that business had a very good quarter.

Our engineered materials business, again, as it's done for several quarters in a row, turned in another strong result driven by strong performance in our tapes businesses as well as some of our core film areas.

George Staphos - *BofA Merrill Lynch - Analyst*

John, just a quick one on that. Does the fact that you've seen energy prices drop, does that lead to any reduced demand for your corrosion protection materials that you'd use for pipelines and the like?

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

I would say the one segment that we have that's likely to be adversely impacted by falling oil prices is our Seal For Life business, which is largely a pipe maintenance business. But when I take that business and balance with the huge favorability that we are going to get in the rest of the Company, we'll take that balance. But we're likely to have some headwind in our Sealed For Life business this year.

George Staphos - *BofA Merrill Lynch - Analyst*

Understood.

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

With respect to your question about resin effect on COGS. So that number that was referenced was just trying to put in perspective the order of magnitude of the impact on costs and ultimately prices of plastic packaging. That was from the peak of October resin to what resin has done historically when oil drops 50%. So that's the reference for that number.

And I guess the other way I would put it in perspective is our fiscal 2014 costs, material costs were $200 million higher than fiscal 2013, on average resin costs that were just under 10% higher. Just to kind of put it in perspective the order of magnitude that this could be. Obviously, resin didn't start going down until November and it hasn't gone down yet to the magnitude that oil has gone down. On a historical basis that correlation has not yet -- although it's following the same trend -- so we're not going to certainly get the full year impact of that this year. That was an annualized amount.

George Staphos - *BofA Merrill Lynch - Analyst*

Understood. And you said $200 million last year, correct?

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

Yes, that was actual material cost over fiscal 2013 on, again, roughly a just under 10% increase in cost per pound on resin.

George Staphos - *BofA Merrill Lynch - Analyst*

Thank you very much.

Operator

Ghansham Panjabi.

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

How does the drop in oil and polypropylene prices kind of factor into your customers' thinking on Versalite versus the alternatives that are out there right now? Are you starting to see a few more conversations just based on how cost competitive this product will be?

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

I would say across the board, falling plastic resin prices make our products more competitive versus all the other substrates. So whether you're talking about glass or paper or metal, we certainly are going to get a much bigger impact of falling oil prices than impact our competitive materials. So we generally see a lift in demand as our products become more competitive with other substrates regardless of what happens with consumer demand.

Specifically with Versalite, as I discussed before, we think we have a fantastic product that outperforms the competitive alternatives today. And as our raw material costs drop, we will use that advantage to try to take more share while holding the margin goals that we have talked about historically.

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

Okay, and then on the 25% of your portfolio that is non-contracted for resin, can you just give us a sense as to what you're seeing from a competitive standpoint just kind of given the drop that we're seeing now?

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

So of course, the vast majority of our spot business is in our engineered materials business. Historically, I would say there is a move in concert with resin. That move -- depending on the nature of the product certainly more commoditized or competitive products move more in concert, more specialized products would tend to have the ability to retain as raw materials drop or increase.

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

Okay, and then just I'm sorry if I missed this but what was the year-end capacity for Versalite as of the end of 2014?

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

I think it was just over a billion cups.

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

A billion cups. Thanks so much.

Operator

Debbie Jones.

Debbie Jones - *Deutsche Bank - Analyst*

You highlighted in your release the goal of reducing leverage by about half a turn a year. Assuming your EBITDA improves this year, can you reduce the leverage by half a turn with your current free cash flow guidance of $320 million? Or do we need to see the incremental resin benefit? And do you basically expect to come out at just above 4 times by the end of the year?

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

(inaudible) that we communicated and the guidance that we gave in November would be consistent with the half turn goal that we have set out for ourselves. If we get some tailwind on top of that, it will help facilitate that but we anticipated hitting it with the plan as we described in the last call.

Debbie Jones - *Deutsche Bank - Analyst*

Okay thanks. And I guess just back on your engineered materials business, can you just talk about the next one to three years in terms of your strategic direction and potential capital investment in that business?

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

Well, that business has done a fantastic job. It's not very capital intensive. So historically, it's probably been the least capital-intensive of our four businesses. There's some parts of that business that have been performing quite well, especially our tapes business. So we will continue to look at making measured investments there. But I would say it will continue to be probably the least capital intensive of our business.

Over the last say eight quarters, it has probably performed as well as any of our businesses in terms of demand. So we would anticipate that they would also have a pretty good year this year.

Debbie Jones - *Deutsche Bank - Analyst*

Okay, thank you.

Operator

Mark Wilde.

Mark Wilde - *BMO Capital Markets - Analyst*

A couple of questions. While the flexibles businesses did really well, both rigid segments came in under what we were expecting and under where you had performed a year ago. Can you just talk about issues in those two businesses?

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

I don't think it's -- I think it's pretty straightforward. The biggest issue is just consumer demand. So as we described before consumer demand for packaged goods has been soft now for about eight quarters. And within the subsegments that use rigid packaging, particularly dairy and some of the grocery categories we describe, they've actually been underperforming the Nielsen average. And I think our demand in rigid basically mirrors what we're seeing with consumer demand. And because Berry is so big, such a big player in the space, we're more likely to look like consumer demand perhaps than some of our smaller competitors.

The second thing is for two years in a row, we've seen almost nothing but straight increases in plastic raw material costs. So the combination of weak demand but rising costs have put some pressure, more pressure on the rigid businesses. I will also tell you that particularly our open top business is more likely to be the biggest beneficiary of falling raw material costs. And so, we should see that as the year plays out. But I think it's just demand in raws that have been causing most of the problem.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay, and then I just had a couple of other questions around Versalite. What you have said in the past is that you are adding one line per quarter. But you also mentioned again this morning kind of talking about working with equipment vendors. Are we likely to see that pace of one line per quarter change over the next three or four quarters?

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

I would just assume that we're continuing down the same path. Now we are working aggressively with both our existing machine suppliers as well as trying to qualify new ones. But I would say for now I would continue to use the same kind of ability to increase capacity.

I think the other piece that we are facing here is that as we are getting to the point where our plant in Madisonville, Kentucky is full, and now we're working with customers to make sure that future assets are positioned geographically to most appropriately serve our customers' demand at the lowest logistics cost.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay, and Jon, in that business, are most of the pieces of new business you're looking at right now -- is it still hot cups or are you looking in other niches?

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

I think it's mostly hot cups.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay, and what are you doing in the way of looking at expansion outside the US at this point for Versalite? Anything?

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

Well, I think as it becomes transparent who some of the customers that we are working here with, you'll probably discover that they are not only located here but also have operations around the world. So a great place to start would be to work with the customers that we're already working with here.

But as I've mentioned many times, here in the US on a per capita basis, we actually consume less coffee per person than many other parts of the world. So we think Versalite is not just a US-based technology but has the opportunity eventually to translate around the world, and that will be a high-quality problem to face.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay, all right. Good luck in the quarter and the coming year.

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

Thank you very much.

Operator

Scott Gaffner.

Scott Gaffner - *Barclays Capital - Analyst*

Thanks, just following on the rigid open businesses. It sounds like, like you said, Jon, mostly a volume issue. I guess the follow-on to that would be, it doesn't sound like you are taking any additional measures to flex the capacity downward there. So is that true, one? And second, if it is true, does that mean you want to keep that capacity in place for when volumes do recover? Can you sort of help us think about that a little bit?

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

I would say as we've discussed in past calls, we took some action in 2014 to restructure five different assets. The majority of that was focused on our open top business, so I would say we are taking action. We will continue to evaluate supply and demand characteristics in that business. We don't have anything planned at the moment, but if steps become appropriate, we will announce them and discuss them in the future.

Scott Gaffner - *Barclays Capital - Analyst*

And then Mark, two follow-ons on the financials. In the press release, you included the consolidated statement of comprehensive income this time around and you do have a $14 million negative currency translation within that schedule. Can you talk about that a little bit? Is that currency translation from Canada, Mexico? Or how should we think about that line in the financials?

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

Yes, I mean obviously it's not an income statement line item, it's the reval of all of our international operations, which would also include Europe on top of that, Scott. But as we discussed in the script, we don't expect FX to be a significant item for Berry, just due to our predominantly US-based business.

Scott Gaffner - *Barclays Capital - Analyst*

Okay, and then just lastly in the reconciliation near the back of the release, you noted the $0.04 back out for non-cash amortization for the 2016 private sale. Is that a one-quarter item or are you making an adjustment on a go-forward basis for that non-cash amortization? I just haven't seen that in the financials before.

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

So that will run off over time, but it will continue to be there for several more quarters. It relates to private purchases of Berry prior to going public. It has nothing to do with the operations of Berry.

Scott Gaffner - *Barclays Capital - Analyst*

Was that in the numbers before though? You weren't backing that out before?

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

It was in the numbers before.

Scott Gaffner - *Barclays Capital - Analyst*

Okay, thank you.

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

Yes.

Operator

George Staphos.

George Staphos - *BofA Merrill Lynch - Analyst*

Thanks very much. One thing I wanted to dig into and I think you commented a little bit on this already -- the benefits from restructuring in 2015 fiscal. I remember the figure being somewhere around $25 million to $30 million in terms of residual of what you've already announced and put into place. Could you affirm that or update that figure for us?

It sounds like you're pleased with the progress given the margin trends you're seeing across the businesses, but are there any areas where the productivity and cost reduction restructuring actions have not gone as well as you would've liked? And if so, where would those be? Then I had a quick follow-on.

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

You are correct, our annual savings from that program was $27 million, and we feel good about achieving that target. We were over 90% accomplished in the fourth calendar quarter, the first fiscal quarter.

I would say that just due to the fact that the December quarter -- it's our seasonally weakest quarter so you won't get kind of the full one quarter's impact from that savings program.

George Staphos - *BofA Merrill Lynch - Analyst*

But Mark, just to be clear, most of -- if you have it implemented the benefit you are getting of, call it, the $27 million, that should be in your numbers this year.

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

Correct.

George Staphos - *BofA Merrill Lynch - Analyst*

In other words, that's not already -- it's favoring your comparisons 2015 versus 2014 because there are other actions that are already in your results from what I recall.

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

That is correct, George.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay, I appreciate that. And then recognizing I've asked it a couple of different ways and I know you don't like to talk too much about the market responses to your own actions. But on the non-resin-based price increases, which look like they are benefiting your results -- and congratulations on your efforts there.

Are you seeing any actions again within the market from your peer companies to perhaps deal back some of the resin benefit they may be giving up or getting, excuse me? And are you seeing any share developments that should worry us at this juncture in your non-contract business?

Thanks, and good luck in the quarter.

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

George, look, I would just say again those non-resin related price increases were designed to offset the real cost increases that we were seeing in energy and freight and so forth. They are accomplishing that goal. We are in a very competitive industry and the fact that our customers see the value that we're delivering to them in our products is a recognition that it's being accomplished in the marketplace.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay. Jon, one last thing. Just in terms of Versalite, I know there been some areas where you were still working through some of the enhancements to the product. Where do you stand in that regard? Realizing it's going to be it an evolving product just like any one of your products, how do you feel in that regard relative to whatever launches are going to occur in the next year or so?

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

First, George, I hope that very soon here you'll be able to pick up a Versalite cup at your favorite retail location in New York City. Secondly, I'm sure you'll see that each customer has a little bit different preferences and how they like their customers. And I think one of the real strengths of Berry is our ability to respond quickly to sort of design each customer's products to meet their individual needs. And I would say we're doing a very good job with that.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay, I read you loud and clear. Thank you very much, and have a good quarter.

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

Thanks very much.

Operator

Al Kabili.

Al Kabili - *Macquarie Research Equities - Analyst*

Actually, all of my follow-ups were just asked. So thank you very much.

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

Al, appreciate it.

Well, operator, if there's no other questions, I would just like to thank everybody for joining the call today and your continued interest in Berry Plastics. And we look forward to talking with you again at the next conference call.

Operator

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