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PRESENTATION

Operator

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

I would now like to introduce your host for today's conference, Dustin Stilwell of Investor Relations. Please go ahead, sir.

Dustin Stilwell - *Berry Plastics Group Inc. - IR*

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

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

During this conference call we would like to make it clear that certain statements made today may be forward-looking statements. These forward-looking statements are made based upon management's expectations and beliefs concerning future events impacting the Company and therefore involve a number of uncertainties and risks including but not limited to those described in the Company's Annual Report on Form 10-K and other filings with the SEC. Therefore, the actual results of operations or financial condition of the Company could differ materially from the expressed or implied in the forward-looking statements.

On today's call John and Mark will provide a view of our overall financial performance, the results of our operating statements and, before going to Q&A, will provide some commentary on some recent exciting news.

With that said, I would now like to turn the call over to Jon Rich.

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

Good morning, everyone. Thank you for joining us and welcome to the Berry Plastics second fiscal quarter 2014 earnings call. Throughout this call we will refer to the second fiscal quarter as the March 2014 quarter. This morning we will provide a view of our overall financial performance, discuss the results of our core operating segments and provide updates relating to our recent acquisitions and our new Versalite product.

In April we announced the appointment of two new members to our Board of Directors, Idalene Kesner and Jonathan Foster. [Heidi] is the Dean of the Kelley School of Business at Indiana University and Jon is the Managing Director at Current Capital. We are extremely pleased to have both Heidi and Jon join our Board.

I would also like to extend my sincere appreciation to Don Graham and Anthony Civale, who both stepped down from our Board, for their commitment and dedication to Berry Plastics over the past seven years. Their leadership, experience and expertise helped the Company grow significantly during their time on our Board.

With these changes Berry now has a majority of independent directors on our Board of Directors.

Now turning specifically to our March quarterly financial results, sales increased 5% over the prior year to $1.210 billion while generating operating EBITDA of $191 million, and $11 million of adjusted free cash flow. Operating EBITDA was 4.5% lower than last year's quarter.

Adjusted net income per share decreased slightly to $0.27 per share from $0.28 per share in the March 2013 quarter. Mark will provide more details on our financial results momentarily.

The March quarter was challenging from an earnings perspective, primarily for three reasons. First, like many companies, in late January and February we were impacted by several winter storms in the United States. These storms changed consumer demand for our products, for example, at grocery and restaurant, led to unexpectedly higher energy in freight costs and caused production slowdowns or shutdowns at 36 of our factories. In some parts of the Northeast, where we have deregulated electricity, rates spiked up to 200% in January and February over the prior year.

The storms also put pressure on an already tight line haul trucking industry. Our average truckload freight rates rose up to 25% and we are just now recovering from the backlog that resulted. The second challenge we faced in the quarter was a continuation of the nearly constant rise in costs that we've had to absorb for polyolefin resin. For the past five quarters polyethylene has risen 25%. Our contractual and spot selling price increased in the quarter but still came up short of recovering raw material inflation.

The third factor that impacted us in the quarter was higher costs associated with the plant closure and restructuring activities we first announced in November last year. As a reminder, we are closing or reconfiguring five Berry factories. Those include an engineered materials plant in eastern Texas, flexible packaging plant in Camp Washington and a rigid open top plant in Alsip, Illinois.

We've also announced the closure of our bottle facility in Phoenix, Arizona and the reconfiguration of our Jackson, Tennessee facility, both part of our rigid closed top business.

As part of the restructuring, equipment is being transferred and installed at other Berry plants. Overall, we do not anticipate any significant revenue losses from these facility restructuring programs.

However, we did experience operational inefficiencies in the receiving facilities in the March quarter. Mark will provide further details on these three factors that affected our March ending results, momentarily.

Fiscal volume for the entire quarter was down 1% from the same period in 2013, but the volume pattern throughout the quarter fluctuated significantly month to month. February volumes were very weak as a result of the weather issues I described earlier. March volumes were strong, likely due to some snapback effect from February, but we also believe overall demand improved.

The March pattern of improved demand has continued in April.

While the recent pattern of sales in order activity has given us some optimism, I would like to remind you that we saw quarters in 2013 where demand was strong in the first month of the quarter and then decline. That being said, we are encouraged by the most recent order patterns we are seeing.

On the M & A side, as we mentioned in our last call, we acquired a controlling interest in Qingdao P&B Company, Limited. Through this transaction Berry will partner with P&B and use our combined business strength to bring innovative packaging products to the Chinese and Asian markets.

Sales at P&B for the quarter were up 13% versus last year and operating EBITDA increased 17%. Operating EBITDA margins at P&B were also well above Berry's total Company average. Thus far we are very pleased with the integration of the business and positive contributions that P&B has made.

In late March we announced that we have entered into agreements to acquire Rexam's healthcare containers enclosure business. The business includes eight facilities, of which five are located in the US and one each in Mexico, India and France with total employment of approximately 1500 people and calendar 2013 sales of $262 million.

This acquisition is directly aligned with our key strategic initiatives. We believe that this transaction should allow us to achieve synergies at or above our historical average of 5% of sales of the acquired business. The acquisition is expected to be net deleveraging post-synergy realization within a year.

Now I will turn the call over to Mark, who will provide more specific details on Berry's financial results and then I will come back to provide an update on our strategies, actions we are taking to improve our results and discuss Versalite, progress on Versalite. Mark?

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

Thank you, Jon. Good morning, everyone. Net sales for the quarter were $1.210 billion compared to $1.150 billion for the March 2013 quarter. This 5% increase was primarily attributed to a 4% increase in selling prices due to the pass-through of higher raw material costs, along with revenue from our recent acquisition of Graphic Packaging's flexible plastics and film business and Qingdao P&B, partially offset by the divestiture of our Kits and Catering assets in late fiscal 2013 and a 1% decrease in physical volumes.

Operating EBITDA was $191 million for the March 2014 quarter, compared to $200 million in the prior quarter. This $9 million decrease in operating EBITDA included a $9 million under recovery of raw material and freight costs, in spite of $48 million of higher net selling prices over the prior year.

Additionally, we estimate that the winter storms cost us about $7 million in the quarter due to higher energy, freight, and negative productivity from plant curtailments discussed earlier.

Finally, during the March ending quarter we estimate that the plant restructuring activities had a negative impact on productivity of approximately $2 million. While there will be some ongoing impact of the restructuring in the June ending quarter, the magnitude should be lower than the March quarter.

The aforementioned headwinds of $18 million were partially offset by cost reductions and improved productivity in both manufacturing and SG&A.

Turning to our business segments, in our two Rigid businesses combined net sales increased by 1%, principally as a result of a 4% increase in net selling prices due to higher raw material costs, partially offset by a 3% reduction in price-adjusted volume. Operating EBITDA in our Rigid division combined increased by 10%, principally as a result of reduced earnings from our Rigid Open Top segment.

As a reminder from our last call, in the December ending quarter we concluded new agreements with several existing thermoformed drink cup customers where our prior contracts provided exclusivity or very high market share at those accounts. Some customers wanted to diversify their supplier base; and that, in conjunction with market softness in 2013, resulted in some share loss and price concessions as those agreements were extended.

We did retain a majority share position with these customers and believe we continue to be the market leader. We do not have any other major contracts with thermoformed drink cup customers up for renewal until the end of 2014. And the impact of these new contracts again in the December ending quarter and the full effect was realized in the March quarter.

Additionally, a significant portion of the impact of the winter storms in the United States discussed earlier impacted the Rigid division, both in terms of demand and increased costs.

Finally, during the quarter we experienced manufacturing inefficiencies related to the movement of assets from our Alsip, Illinois facility to one of Berry's larger plants. Overall, we expect the operating EBITDA of our Rigid Open Top segment to improve sequentially versus the prior-year quarter through calendar 2014 and will exceed the prior-year results in the December ending quarter.

In the flexible business, consisting of our Engineered Materials in Flexible Packaging segments, combined net sales in the quarter increased by 10% over the prior year. This increase was primarily attributed to a 4% increase in net selling prices due to higher raw material costs and revenue from our acquisitions of the graphic and Qingdao businesses.

Physical volume increased 1% over the prior March quarter. Operating EBITDA for these two segments increased 6% overall, despite a $5 million under recovery of raw material inflation in our Engineered Materials segment.

This 6% growth in earnings was primarily attributed to improvements in manufacturing efficiencies and reduced expenses as well as the addition of the graphic packaging, selectable plastics and film business, and Qingdao P&B, both of which are contributing as expected including synergy realization.

Interest expense for the March 2014 quarter was $57 million, representing a $4 million decrease from the prior-year expense of $61 million. This reduction is primarily related to the Company's debt refinancing completed in the second quarter of fiscal 2013. I would remind you that Berry has additional opportunities to further reduce interest expense in the future through refinancing two tranches of higher interest rate debt and our 9 1/2% and 9 3/4% second priority senior notes. In fact, on Monday of this week the Company commenced a tender offer for the 9 1/2% notes. The first call date on the 9 3/4% notes is in January [2016].

We will continue to monitor the market and will take action if and when appropriate.

In the March 2014 quarter, we refinanced and extended the maturity of our term loan that was scheduled to mature in April 2015. This refinancing, due to the timing of the interest payments, pushed out a portion of our fiscal 2014 cash interest into fiscal 2015. Taking into account the interest payment timing, assuming no change in short-term interest rates and no additional refinancing activity, we are revising our estimates for fiscal 2014 cash interest to $210 million, which is $15 million lower than our prior guidance of $225 million.

Berry continues to maintain more than ample liquidity, which is enhanced by businesses that generate substantial free cash flow. At the close of the March 2014 quarter, the Company had cash on hand of $126 million and unused borrowing capacity under the revolving line of credit of [$606] million, providing liquidity totaling over $730 million.

We have remained committed to our top priority of reducing the Company's leverage ratio. Our net debt at the end of the March 2014 quarter was $3.817 billion, resulting in a leverage ratio, defined as net debt divided by adjusted EBITDA, of 4.7 times, which is a 0.1 turn reduction from the end of fiscal 2013.

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

Looking at adjusted free cash flow, defined as the cash from operations less net spending on property, plant and equipment and payouts under the tax receivable agreement in the March 2014 quarter, we have positive adjusted free cash flow of $11 million. The March quarter is historically our weakest cash flow quarter, due to the timing of working capital requirements.

This brought the Company's LTM adjusted free cash flow, to $288 million, representing $2.37 per diluted share or a free cash flow yield of 11%, based on the market capitalization at the end of the quarter.

Going forward, we will continue to focus on maximizing free cash flow alongside investing for future growth.

This concludes my financial review of the March 2014 quarter. At this time I would like to turn it back over to Jon.

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

Thank you, Mark. As we experienced cost increases in the March quarter related to higher energy and freight expenses as well as continued direct material inflation, we implemented steps to improve the business.

In order to mitigate these cost increases we notified our customers on April 1 of a general non-resin-related price increase that was largely effective on May 1.

We also took steps in addition to the restructuring actions previously described to further reduce direct and indirect labor expenses. Most of these actions were completed by the end of the March quarter and are expected to result in annual savings of approximately $20 million.

As we have said on prior conference calls, we continue to focus on our four key strategic initiatives -- reducing our debt leverage, driving organic growth, expanding internationally and continuing to execute value-accretive acquisitions. The top priority remains reducing our debt leverage by a half turn per year to reside in a 2 to 4 times multiple of EBITDA goal.

With the results of the most recent quarter it will be difficult to reach the full half turn reduction this year but we do expect our leverage to be lower.

To support our organic growth strategy, we continue to invest in R&D, marketing and capital equipment in the quarter. Our recently announced acquisition of Rexam's healthcare containers and closures business met both our final two key strategies of growing internationally and finding synergistic net deleveraging bolt-on acquisitions. We will continue to look at the best avenues to put cash to work and drive future shareholder value.

Now let me provide a brief update on Versalite. Versalite continues to be a very significant opportunity for Berry. As we said in last quarter's conference call, we are working with six customers that represent demand of over 3 billion units annually.

Currently, we are restraining the number of customers that we work with to ensure our ability to supply. I know that investors are interested in our progress towards commercial introduction of Versalite, so let me remind you of that process. The first step involves test market introduction with customers in specific limited geographies. We incorporate the learnings from those tests into a second step, which is expansion of the test market to a broader geographic area. Commercial introduction then generally goes by individual distribution centers, which eventually results in nationwide sales.

Our first customer, Subway, has successfully completed the testing phase, and we are approaching 1000 Subway stores using Versalite cups. We are very pleased to announce today that we are in commercial testing with Dunkin' Donuts, one of the largest baked goods and coffee chains in the world, serving more than 3 million customers a day. Dunkin' Donuts is one of the most easily recognizable names in coffee. I want to emphasize that with Dunkin' we are still in the testing phase, as I just described, and the ultimate decision to use or not use Versalite comps will be made by Dunkin' following the tests.

We remain confident that Versalite cups provide superior insulating properties and represent the customer's brand image with vibrant high definition graphics and that Versalite is, from a practical perspective, the most readily recyclable disposable hot cup available. Versalite delivers all of these features and is cost competitive with currently used premium insulating cups such as double-walled paper.

As stated on previous updates relating to Versalite, we expected our annual install capacity to be 600 million units by the end of the March 20 14 quarter. Today we are at 500 million units of annual capacity in our Madisonville, Kentucky plant, slightly behind our initial target as our machine supplier ramps up its capacity. We now anticipate installed annual capacity to be 1.1 billion units at the end of calendar 2014. Subsequently, we expect to achieve the 300 million units per quarter goal.

As we look forward to the June ending quarter and the remainder of fiscal 2014, we are encouraged by the recent increases in demand and volumes that we have realized in March and April. The actions that we have taken on pricing and cost reduction should also help us in the coming quarters, assuming that freight, energy and resin costs do not significantly further increase in the near term. We also feel good about the progress we're making on Versalite and other new products.

We have previously provided free cash flow guidance of $270 million for fiscal year 2014, which concludes at the end of the September ending quarter. Based on the trends I just discussed, we currently believe that the business will improve in the coming quarters, and despite the earnings challenges we had in the March ending quarter we are reconfirming our guidance of $270 million of adjusted free cash flow.

Looking at the components of the $270 million free cash flow compared to our prior guidance, we expect a $15 million reduction in cash interest due to timing, as Mark discussed earlier, offset by an increased $15 million of additional cash costs related to our cost reduction initiatives. All other prior guidance remains as previously anticipated.

The $270 million of adjusted free cash flow is exclusive of any further refinancing or our most recent acquisition announcement of the Rexam healthcare containers and closures business.

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 the people at Berry will continue to drive our results and achieve our goals.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ghansham Panjabi with Baird.

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

On the Dunkin' news, I think they have been pretty clear about moving away from foam. And I think there has been some media speculation about rolling out paper cups, double-walled paper cups, etc., at some of their stores. Just to clarify, is Versalite for a specific product offering on their end, or is it being tested as a full replacement of their current foam offering?

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

We are currently testing four different SKU sizes with Dunkin' for coffee applications.

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

Hot and cold or --

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

Well, it's four different SKU sizes. I'll let them comment on their specific contentions.

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

Okay, all right. And just in terms of your non-resin price increase, Jon, that you called out, can you just take us through when was the last time Berry announced something like that? And does it also cover all of your operating segments?

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

The last time we had a similar increase not resin-related was in 2011. And it is across the board with those products. And of course, with specific contractual relationships we have with customers, we are honoring all the terms of those agreements.

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

Okay, and just one final one from my end -- just can you quantify the volume increase you called out for March and April, any specific categories growing faster than others? Thanks so much.

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

I'm not going to give any sort of detailed guidance on individual months. I will just say that February was extremely soft, March was a very good month. Some of that was undoubtedly due to a snap back effect, to the fact that we had a hard time getting trucks to our factories and so forth in February. But in analyzing our March results and April results, we do feel good about the fact that there is an increase in demand.

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

Okay, thanks so much.

Operator

Chris Manuel with Wells Fargo.

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

What I'm trying to get at is to understand the trajectory within the base business. There's a good bit of noise through the quarter, I understand, with both weather and a number of acquisitions and things.

But if you were to kind of think through -- and I know you always provide this color in the Q as it comes out, so maybe you could preview this a little for us -- if you could give us a sense as to what were some of the base business volumes like across -- even just for the whole quarter, if you don't want to get that specific month to month, as you look at Rigid Open Top, Close Top, Flexibles, etc., and just give us a sense as to how that is progressing.

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

The numbers for Rigid, for example, the 2 combined, the 3% softness in volume was for price adjusted without acquisition volume numbers. So that is the base business was all 3%. Most of that reduction was in our Rigid Open Top segment. Closed Top business was relatively flat year-over-year. And again, obviously the Open Top segment is the most impacted in terms of volume by weather. So of the four segments they have the most exposure to QSR in restaurants.

In the flexible business the physical volume combined between the two segments was up 1%. Again, that excludes all acquisition activity and that excludes -- that also excludes price. So we were up 1% combined in both businesses. There wasn't one extremely different than the other. Obviously, between all our various products there were some that were stronger than others. But in total they were basically up 1%.

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

The declines that we saw in Rigid -- principally, you mentioned that was in the Open Top. But is that probably a reasonable run rate to look at on a go forward basis, Jon, considering some of the contract adjustments you have made in dual sourcing, things of that nature? Or should we see volumes potentially accelerate beyond normal seasonality, over the balance of the year?

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

As we described, we had a one-time impact due to the contractual arrangements that we agreed to at the end of 2013. That impact is going to be felt throughout the year. There is a seasonality to Open Top with the January quarter always being the weakest and this quarter being weaker than normal.

I think you've seen many of our customers, fast food restaurant customers, have reported their first-quarter same-store sales, and I would say our volumes were indicative of the kind of results that they had.

At the same time, in March and April we saw that business also improve in volumes. And so, I am cautiously optimistic here that we are seeing an improvement that will also impact the open top business as well as the others.

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

Okay. So just so I understand, right -- I appreciate the seasonality and the timing. So, longer term you have talked about being non-durable GDP plus a couple points. Is that something that you anticipate returning over the coming quarters, or --?

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

Yes.

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

Okay, thank you. That's what I was looking for.

Operator

Alex Ovshey with Goldman Sachs.

Alex Ovshey - *Goldman Sachs - Analyst*

So first question for you guys -- in terms of the non-resin price increase, you talked about still honoring the contractual agreements that you have with your customers. So in terms of your book of business, how much of that does the non-resin price increase affect?

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

Again, generally our contractual agreements with customers cover resin adjustments, as we have described many times in the past. There are a limited number of contractual agreements that cover other materials other than resin, but the vast majority, I think, discuss resin only.

Alex Ovshey - *Goldman Sachs - Analyst*

Got you. So just to clarify, the contracts that are just resin only, you are still able to apply this non-resin price increase to? Is that right?

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

We have the right to, in our opinion.

Alex Ovshey - *Goldman Sachs - Analyst*

Okay, that's helpful. And then on Versalite, was in a drag to EBITDA in the quarter? How should we be thinking about the contribution to EBITDA from Versalite over the next couple of quarters?

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

We are really excited about the progress we are making in Versalite, and our factory in Madisonville, Kentucky is -- the employment is ramping up there. Equipment is being installed. But obviously, in the quarter our expenses, due to those startups, were greatly exceeded by what we could cover in revenue.

So yes, there was a start-up expense in the quarter that we expect will -- that level of expense will continue. But we expect revenues to start offsetting it here in the coming quarters. It's still likely to be a drag for the next coming quarters.

Alex Ovshey - *Goldman Sachs - Analyst*

Got you. And just last question -- am I going to be able to pick up a Dunkin' Donuts Versalite cup in New York City?

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

I think, if you travel from New York you'll -- with an easy drive you will find Dunkin' stores that have Versalite cups.

Alex Ovshey - *Goldman Sachs - Analyst*

Excellent, we will try to do that. Thank you very much.

Operator

Al Kabili with Macquarie.

Al Kabili - *Macquarie Research Equities - Analyst*

I wanted to just follow up on the Dunkin' news. Just to clarify, would this be in addition to the 6 previous customers representing the potential 3 billion units?

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

This is 1 of the 6.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay, so this would be 1 of the 6. And this would be --

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

Just to be clear, again, we have many, many more customers that want to get involved with Versalite cups. But we also don't want to be in a position where we can't serve them for one or two years. Right?

We are adding capacity as fast as we can. I've said in the past that we believe we are capacity constrained, just adding equipment as fast as we can. And I think that statement is still valid today.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay. And on the 3 billion potential units, do you see that as a conservative number, to the degree that there's -- they choose some SKUs, is there any discussions of what might happen beyond that that could lend upside to that 3 billion unit --

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

I want to make sure you -- the 3 billion is there served industry market today. Right? So I'm not making any statements about the penetration or the rate of penetration or so forth. I would also just say that beyond those 6 customers we have many, many more customers who would like to test and evaluate Versalite. And so, we still feel very good about the potential demand.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay, thanks for clarifying that. Last question from me is just on the decline in EBITDA on the Rigid Open Top year-over-year. And you mentioned a lot of factors. Is there a way to just give us a order of magnitude as far as each of those factors' contribution to that year-over-year decline -- weather versus the contractual changes in the business? Resin-related headwinds that may be temporary?

If you can just give us a sense of the order of magnitude of the contribution of each of those to the decline.

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

We don't break out that information business by business, but there are a couple of important factors that, as you do the analysis, you should keep in mind. One is that our Open Top business does have the largest exposure to resin lag of any of our businesses. Our Closed Top business is actually partially internally hedged because of the way our customer arrangements are in Closed Top. So they don't feel the brunt as much as Open Top, so that's one important factor. So when we talked about the resin lag that we've had, it's the Open Top business.

The second factor is we talked about the restructurings that we are doing. But by far the biggest facility that we are closing is in the Open Top business, that facility in Alsip, Illinois was one of Berry's larger facilities. And so from a cost and expense standpoint it tends to overweight significantly to the Open Top business.

As we get through those two things and as volume picks up in Open Top, I'm confident in the guidance we've discussed about where we think the Open Top business will be.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay. And just as a follow-up to that, Jon, I think you had mentioned previously that you had still expected Rigid Open Top profitability to be up year over year. Judging by your comments today, it sounds like you think it's going to improve sequentially but still be down year over year until we get to the December quarter. And so it suggests that maybe there's a bit more of a muted profit expectation out of the business then maybe how you were thinking a few months ago.

Is this just all just these temporary items that are determining that? Or is there something incremental that might be changing that view a bit?

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

We made some comments today about where we thought Open Top would be sequentially versus the prior year. And we are sticking with that.

I would say that the March quarter was more difficult in Open Top than we had planned when we put the operating plan together. So we are starting behind. I would also say that quarterly comparisons for Open Top and the business in general gets a little bit easier in the back half of the year. So I think it will depend on the magnitude of the recovery but I wouldn't argue with your general thesis.

Al Kabili - *Macquarie Research Equities - Analyst*

Okay, thanks for the clarification. Thanks a lot. Good luck and rest of the year. Thanks.

Operator

Debbie Jones with Deutsche Bank.

Debbie Jones - *Deutsche Bank - Analyst*

I was hoping you could talk about your Engineered Materials business. It generally has a different customer mix in end markets than the balance of your business. So I'd like to get a sense of how it's currently performing versus your expectations, what the opportunities you think you see in this business and from a strategic perspective what you think the M&A opportunities are.

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

So, just in terms of the business performance, Tom Salmon and the entire team at Engineered Materials has done a really fantastic job not only in the current quarter but over the last, I would say, six to eight quarters. They have really done a fantastic job -- operating margins, Engineered Materials were good.

If you look at the sub segments we had a very good quarter in tapes and we had a really good quarter in our pipeline maintenance business, which is both terrific businesses. And I would say in our core films business we continue to have excellent performance, especially from a margin perspective. And I think the entire business's margins for the quarter were north of 14%, I think. Right?

So they had a very good quarter and continue to perform well, as did our other flexible business, by the way. I also was pleased with the Flexible Packaging business, also had a very good quarter.

I think strategically my position isn't any different than what I think we've said [had] long term. The Engineered Materials business is a great business for us. Its EBITDA minus CapEx margins are extremely good. It generates a lot of cash.

At the same time, the rest of our businesses are packaging businesses and so, if there's a strategic opportunity that would make sense, we would always be open to entertaining that. But we are very pleased with that business and it's a great part of Berry Plastics.

Debbie Jones - *Deutsche Bank - Analyst*

Okay, thanks. And sorry if I missed this, but did you confirm your CapEx target for the year? Is that implied in your free cash flow commentary?

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

We don't have any changes from our prior guidance on CapEx.

Debbie Jones - *Deutsche Bank - Analyst*

Okay, great, thanks. I'll turn it over.

Operator

Scott Gaffner with Barclays.

Scott Gaffner - *Barclays Capital - Analyst*

Just digging a little bit deeper on the announcement around Dunkin' Donut, is Dunkin' a customer already on the cold side with your deep draw thermoformed cups?

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

Dunkin' has not been a particularly large customer of Berry in the past because their business has always been more weighted towards the hot side. So it's all upside for Berry, assuming we conclude the business, as I stated.

Scott Gaffner - *Barclays Capital - Analyst*

Okay. I was just trying to get a sense if we were replacing existing deep draw cups.

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

It's not a significant customer of Berry's today.

Scott Gaffner - *Barclays Capital - Analyst*

Have you seen any volume response to the non-resin price increase or do you expect any volume response to come from that as we move through the quarter?

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

Said largely effective on May 1, too soon to call that.

Scott Gaffner - *Barclays Capital - Analyst*

Have you seen anything historically around those types of price increases?

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

Well, we haven't done one since 2011. But I will tell you that the reason we implemented this price increase was because of the significant cost increases that we got in energy, freight and other non-resin-related indirects and so forth. We don't think Berry was the only company that was impacted by those factors.

So, I think while no customers like to get price increases, I think most of our customers are seeing the same challenges we are.

Scott Gaffner - *Barclays Capital - Analyst*

Fair enough. And then just my last question, on deleveraging -- it would seem to me that there's two ways for you to deleverage. One is just strictly pay down debt. The other is to do accretive acquisitions that delever over time. Is there one of those two methods that you prefer over the other?

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

The preferred method is to grow the earnings on our base business and then, as we accomplish that, we will look at the other opportunities we have. We obviously are throwing a lot of free cash, but to achieve these -- and we will use cash to pay down debt. But we need to grow the earnings of our base business, as is our plan. And then we are excited about deleveraging kinds of synergies. But the main driver of our business plan is to improve the earnings of our base business.

Scott Gaffner - *Barclays Capital - Analyst*

Thank you.

Operator

George Staphos with Bank of America Merrill Lynch.

George Staphos - *BofA Merrill Lynch - Analyst*

I wanted to start first with Dunkin', then to Versalite. Jon, to the extent that you can comment, Dunkin' has had a fairly iconic image in its cup. And it would seem like that shape cup is a little bit difficult to replicate on Versalite, which is being, as I understand, wrapped around a mandrel.

How have you been able to replicate the Dunkin' shape on your cup, or is that not an issue in terms of the test?

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

Again, Versalite cups -- first of all, they provide tremendous insulating capabilities. So I think in that regard, it's great.

And from a graphics perspective we can put unbelievably vibrant high definition graphics. I think the proof is in the pudding. It's a fantastic looking cup, a fantastic performing cup. And I think people just need to find a Dunkin' and test it. And I think I'm very confident in the consumer feedback. But it is a great, great looking cup.

George Staphos - *BofA Merrill Lynch - Analyst*

Secondly, on Versalite and the current test [the 6] realizing that you are now in the 1000 Subway stores, do you have a contract with Subway or any of the other companies that do you have been trialing? I assume Dunkin' you obviously don't because that seems very soon.

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

First of all, I just want to be clear. When we do trials, we sell the cups. So everything -- all those relationships are standard, normal business relationships under Berry's standard terms and conditions for doing the sale. So under that definition I would say we have commercial relationships with everybody we are working with.

George Staphos - *BofA Merrill Lynch - Analyst*

But would you see these standard relationships that would have a trial ultimately developing into a contractual relationship, since you are in fact investing under new product?

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

Again, I think you got to look customer by customer with that. But I would say that's no different than our other cup businesses, George.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay. Thank you for that. I think Scott was getting at this question; I wasn't sure I got quite the response. So have you seen any effect in pre-buying in the April volumes from the anticipated March non-resin pricing increase?

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

It's always difficult to dissect. I would say that we went out with the price increase on April 1. March volumes were very good, April volumes continue to be good. I can't see a big swing between the two months now.

As you know, it's two months; you got to be very careful about drawing trends on the business over two months' worth of sales. But the models look very similar. So I would say that we haven't seen any particular acceleration.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay. Two last ones and I will turn it over, one just housekeeping -- did you say the non-recovery cost was $9 million? Did I hear that correctly?

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

That's correct, George.

George Staphos - *BofA Merrill Lynch - Analyst*

Thanks, Mark. And with Rigid Open Top -- can you comment on how much volume is associated with contracts that are up for renewal next year? In other words, I know you have resolved the issues or contracts, some puts and takes into 2014. But could you help us understand how much volume or revenue is affected as we look to 2015?

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

I don't have that number right in front of me. Nothing is coming due this year. I think, as we come to the end of -- I'm not aware of anything meaningful at the moment. But I want to qualify that by saying I don't have the data in front of me. As we get closer towards the fall time when we usually do contract negotiations, I would be happy to clarify that.

George Staphos - *BofA Merrill Lynch - Analyst*

It would be helpful, Jon, just because obviously we are trying to forecast here.

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

I appreciate that.

George Staphos - *BofA Merrill Lynch - Analyst*

So, Open Top is a big difference for you.

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

I don't think we have any significantly large customers, but I want to reserve the right to come back and check. I don't have the data in front of me.

George Staphos - *BofA Merrill Lynch - Analyst*

All right. Thank you, I will turn it over.

Operator

Anthony Pettinari with Citi.

Anthony Pettinari - *Citi - Analyst*

With Versalite and potentially some new products coming up with new seal barricade, you are presumably making some upfront investments in advertisement, surveys, customer campaigns. My question is, what's the incremental spend on that kind of activity per quarter? And as you ramp up Versalite, would you expect SG&A expense to be slightly higher in coming quarters? Or is there any color you can give there?

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

We spent quite a bit -- first of all, I don't think it's a meaningful number to our financial results. When we introduced Versalite in September of 2013 we went to the trades, we did some advertising and so forth.

I think as we get down the road with individual customers, we will look at what they want to do with us in terms of marketing spend and so forth. But I don't have a number on that. One thing we are doing a lot of work on is working with recycling, waste municipalities and so forth to continue to demonstrate and talk about the ease by which number 5 polypropylene Versalite cups can be recycled. And so you will continue to read about that. But I don't think it will have a meaningful impact on our financial results.

Anthony Pettinari - *Citi - Analyst*

Okay, that's helpful. And then with Versalite, I think your plan this year is to add roughly 1 sale per quarter. You exit the year at over 1 billion cups. And my question is, as you look to 2015, and presumably it's not too early to start thinking about this, given the response you have got on Versalite, would you anticipate that kind of 1 sale per quarter pace to continue? Could you potentially accelerate it? Would it go down? Or how do you think about the pace of capacity expansion in 2015, given what you have seen so far?

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

We are currently evaluating a footprint expansion of the facility that we have in Madisonville, Kentucky, because we filled that out. And secondly, we continue to work with all of our existing vendors to see how they can accelerate reduction. And we look at alternative suppliers of equipment. And we are doing all of those things. But until we have everybody technically qualified I don't want to comment on anything we might be able to do above the stated capacity additions that we have already talked about.

But we do have a lot of work ongoing to get suppliers qualified, to get the current vendors to expand capacity and so forth.

Anthony Pettinari - *Citi - Analyst*

Okay, okay, fair enough. And maybe just one last question -- when you look at the full-year free cash flow guidance, $270 million, for Rexam, graphic packaging, Qingdao, do you expect those to be cash-accretive in the next two quarters, or cash-dilutive as you bring them into Berry, or neutral? How should we think about that?

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

Just to be clear, all the acquisitions are included in the guidance with the exception of the Rexam acquisition. And that one -- the only reason we haven't included it is because we haven't closed yet and we are not certain on exactly what date that will close. But we anticipate and they all -- we expect them all to be cash-accretive. And again, all of them have been built-in with the exception of Rexam.

Anthony Pettinari - *Citi - Analyst*

Okay, that's helpful. I'll turn it over.

Operator

Aaron Whiteman with Appaloosa Management.

Aaron Whiteman - *Appaloosa Management - Analyst*

My question was answered. Thank you.

Operator

George Staphos with Bank of America Merrill Lynch.

George Staphos - *BofA Merrill Lynch - Analyst*

I want to spend a little bit more time on Rigid Open Top. Thanks for taking my questions. First, I think you were going through this with Al; I just want to confirm.

So Rigid Open Top -- we should assume that EBITDA this year is likely to be down because you are not up on a year-on-year basis until the December quarter. Did I hear that correctly or incorrectly?

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

You heard that correctly, George. But sequentially the delta we expect to decrease quarterly.

George Staphos - *BofA Merrill Lynch - Analyst*

Understood. Now, are you seeing any additional competitive action from your peers in the cup market? Or has that now more or less been resolved? And was -- two-part question here, I guess -- was any of that increased competition, if you want to define it that way, one of the reasons why you had unrecovered material costs, or was that materially a contractual lag in the business?

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

The major component was the contractual lag. From a competitive perspective, this is always a competitive industry and I don't really see that dynamic being any different than it was before. So no changes in the competitive landscape.

I think we have taken steps already to repurpose certain pieces of equipment, other product lines. And so, there was some inefficiencies in that process, but it's quickly getting past that.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay, thank you. I'll turn it over.

Operator

Chris Manuel with Wells Fargo.

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

Just two last cleanup questions -- first, if I back into an EBITDA assumption for the fiscal year, when I take into account your cash flow and what you gave us for cash taxes and interest, etc., suggests something in that roughly $800 million range. Just to make sure we understand the cadence as what you are seeing as we move forward, looking at the first half of the year you are still in the hole a bit. And that would imply, then, that 3Q, 4Q had some sharp step up. Am I thinking about that the right way?

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

What you went through there doesn't seem unreasonable to me.

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

Okay, that's helpful. And then the second question I wanted to probe on was could you give us a sense of the magnitude of the price increase you went to market with? I'm guessing it's probably low single digits. And then what portion of the business is contractual and what portion that that has the ability to impact?

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

Not going to give out any details on the magnitude of the price increase. But with regards to the contractual question, about 75% of our business is on resin escalator and de-escalator clauses. But only a small fraction of that has any language in it regarding non-resin-related cost. So the vast majority -- even contractual businesses generally don't, generally don't contain language. Individual contracts vary.

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

Sure.

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

Three quarters is on resin escalator/de-escalators. But we think we have a broader ability on non-resins.

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

Okay. So it's something much bigger, the bulk of the business?

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

And I also want to be careful -- look, we -- obviously every line, every customer is -- we look at the dynamics of that. But from the ability to implement, that's the magnitude.

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

That's helpful, thank you.

Operator

I'm not showing any further questions in the queue at this time. I would like to turn the call back over to Jon Rich, Chief Executive Officer, for closing remarks.

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

Again, we thank you for your interest in Berry Plastics and we look forward to talking to you again at the end of the June fiscal quarter. Thanks, everybody.

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 good day.