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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to Berry Plastics' earnings conference call. (Operator Instructions) At the Company's request, this conference is being recorded.

I would now like to turn the call over to Mr. Dustin Stilwell. Mr. Stilwell, please go ahead.

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

Thank you, Brian. Good morning, everyone. Thank you for joining us and welcome to the Berry Plastics fourth-quarter fiscal 2015 earnings call. Throughout this call, we will refer to the fourth fiscal quarter as the September 2015 quarter. Slides related to some topics highlighted on today's call can be found in our investor presentation located on our IR website.

Joining me today from the Company, I have Berry's Chairman and Chief Executive Officer Jon Rich and Chief Financial Officer Mark Miles. During this call we will be discussing some non-GAAP financial measures including operating EBITDA, adjusted EBITDA, and adjusted free cash flow. The most directly comparable GAAP financial measures and a reconciliation of the differences between the GAAP and non-GAAP financial measures are available in our earnings release and our public filings. A presentation discussing our recent acquisition can be accessed through the Company's Investor Relations page. 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 maybe 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 these forward-looking statements.

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

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

Thank you, Dustin. Good morning, everyone, and thank you for joining us.

We have several topics to cover with you this morning including the fourth-quarter and full fiscal-year results for the base Berry business and an update on AVINTIV's September ending quarter and last 12 months' performance. We'll also provide our perspective on the overall market conditions that we face going forward for the combined businesses, as well as our expectations for fiscal 2016.

The acquisition of AVINTIV that closed on October 4 is truly transformative for our Company. This acquisition increases Berry's presence in the growing healthcare and hygiene markets and is complemented by the stability of our existing food packaging portfolio. AVINTIV's global footprint also allows us to better serve our largest CPG customers, expands our global reach, and accelerates our ability to grow in the emerging market regions of Asia and Latin America.

As Mark will detail later, the combination of a Berry and AVINTIV creates significant cost synergies through savings and procurement, logistics, and SG&A. Later in the call I will highlight organizational and structural changes we have made to Berry that are possible through our acquisition of AVINTIV and that are designed to streamline our Company, accelerate our growth, deliver the expected cost synergies, and increase our focus on customers.

Turning first to Berry's results for the September 2015 quarter just completed, overall our business continues to perform well. Operating EBITDA margins for the quarter were up over 100 basis points from the September 2014 quarter, and free cash flow generation increased by $58 million from the prior-year period. Operating EBITDA was slightly lower than last year due to the impact of foreign currency, soft market demand for packaged food products, and one-time SG&A costs in the fourth fiscal quarter of 2014.

I am very pleased to report that Berry achieved a record $436 million of free cash flow for the 2015 fiscal year, $116 million ahead of our original target for the year. Free cash flow was also well above the revised forecast of $400 million provided on our last call. The cash flow results were achieved from higher year-over-year operating EBITDA, cost savings, lower working capital, and prudent capital spending.

Turning to the September 2015 quarter, base Berry resin pounds sold were 2% lower versus the same prior-year quarter. As we've stated in previous calls we typically experience about a 0.5% to 1% reduction in pound volumes due to light-weighting and product redesign, which ultimately provides benefit to both our customers and to Berry.

Consumer demand for our products, as measured by third parties across the spectrum of segments in which we participate, generally moved up modestly during the September ending quarter, but overall demand in the US for packaged food goods and hygiene personal-care products remained near zero growth. Within those categories certain segments grew more rapidly, including baby care and diapers, adult incontinence products, pharmaceuticals and nutraceuticals, dairy products, and noncarbonated drinks.

Consistent with the macro data on consumer demand, Berry and Avintiv saw growth in our product lines that serve those segments. For example, sales of AVINTIV products in North America grew 2%. Our Rigid Open Top division experienced 1% year-over-year volume growth led by stronger volumes in drink cups and contributions of new products. Sales of Versalite insulated cups also contributed to the quarterly growth in Rigid Open Top.

Similar to trends we have seen for several quarters now, consumer demand for products like carbonated soft drinks, margarine, household chemicals, oil bottles, and preprepared dinners continued to decline, reflecting changes in consumer preferences. Our product offerings in these segments continue to face weak demand, especially in our Rigid Closed Top segment, where volumes declined in closures and certain bottle products.

During the year, our combined Engineered Materials (technical difficulty) segments and positive price minus raw materials versus last year. Engineered Materials saw positive sales growth in both tapes and shrink films. Flexible Packaging benefited from improved volume growth in flexible food packages.

Now I'll turn the call over to Mark, who will review Berry's and AVINTIV's financial results in more detail and discuss our outlook for fiscal 2016, and then I'll come back to provide details on our new divisional structure. Mark?

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

Thank you, Jon, and good morning, everyone. First I will review the fourth quarter and full fiscal 2015 financial results of Berry, and we'll then walk through the results of AVINTIV for the September ended quarter and the last 12 months, which were prior to the purchase by Berry.

Berry recorded net sales for the quarter of $1.196 billion, compared to $1.310 billion for the September 2014 quarter. This 9% decrease was attributed to a 5% decrease in selling prices due to the passthrough of lower raw material costs, a 2% reduction in base volumes from weak demand, and a negative impact from changes in currency exchange rates.

Combined net sales in our two Rigid divisions decreased by 9% when compared to the September 2014 quarter. The decrease was primarily attributed to a 7% reduction in selling prices due to the passthrough of lower plastic resin costs and a 2% reduction in base volumes from weak demand in bottles and closures, as Jon just mentioned.

Combined net sales for our Flexible segment, consisting of Engineered Materials and Flexible Packaging, decreased by 8% compared to the September 2014 quarter. The decrease was primarily attributed to a 3% reduction in selling prices due to the passthrough of lower resin costs, a 3% negative impact from changes in currency exchange rates, and a 2% reduction in base volumes.

Net sales for the full 2015 fiscal year were $4.9 billion, compared to $5 billion in fiscal 2014. This modest decrease is primarily attributed to a 2% decrease in net selling prices due to the passthrough of lower raw material costs, a price-adjusted base sales dollar volume decline of 3%, along with a 1% impact from changes in currency exchange rates. These items were partially offset by a 4% increase in revenue from acquisitions completed in fiscal 2014.

Now from an earnings perspective, operating margins increased to 17.1% in the quarter, compared to 16% in the same prior-year period. Operating EBITDA for Berry was $205 million for the September 2015 quarter, compared to $210 million in the prior-year quarter.

This $5 million or 2% decrease in operating EBITDA included the sales volume weakness just mentioned, a negative impact from currency exchange rates of $2 million, along with $9 million of increased SG&A expenses as a result of nonrecurring cost savings in the prior-year quarter. These headwinds were partially offset by a recovery in the relationship between selling prices and direct raw material and freight costs of $6 million and net productivity improvements in manufacturing of $6 million.

We are pleased to report that the operating EBITDA margins for our combined Rigid segments increased to 19.1%, an increase of 130 basis points from the September 2014 quarter. Combined operating EBITDA in our Rigid divisions was down 2% in the quarter over the same period in 2014. This decrease can be attributed to weak consumer demand and increased SG&A costs, partially offset by a recovery in the relationship between selling prices and raw material and freight costs, along with net productivity improvements in manufacturing.

Operating EBITDA margins for our combined Flexible segments improved to 15%, an increase of 90 basis points from the September 2014 quarter of 14.1%. Combined operating EBITDA for our two Flexible segments decreased 3% in the quarter over the prior-year period, primarily as a result of increased SG&A costs and the negative impact from currency exchange rates, partially offset by a recovery in the relationship of net selling prices to raw material and freight costs.

For the full fiscal year, overall operating EBITDA margins increased by 90 basis points to 16.7% in fiscal 2015, compared to 15.8% in fiscal 2014. Operating EBITDA for fiscal 2015 of $815 million was a fiscal-year record for Berry.

The $30 million improvement over fiscal 2014 can be attributed to the contribution and realization of synergies from acquisitions, net cost reductions and improved productivity in manufacturing of $19 million, organic volume growth in certain product categories, and a recovery in the relationship of net selling prices to raw material and freight costs. These improvements were partially offset by higher SG&A costs and volume softness in certain product lines.

As we further review the income statement for the September 2015 quarter, interest expense was $39 million compared to prior-year expense of $53 million. This $14 million decrease is a result of lower interest rate debt and free cash flow from operations used to reduce debt.

For the full 2015 fiscal year, interest expense was $191 million, representing a $30 million reduction from fiscal 2014, also as a result of lower interest rate debt and free cash flow from operations used to reduce debt. Our expected annual cash interest expense for fiscal-year 2016 is approximately $270 million, which contemplates the utilization of free cash flow to pay down debt throughout the year.

As a reminder, the Company has a pre-IPO tax receivable agreement. Under this arrangement the Company remits 85% of its usage of pre-IPO NOLs to shareholders of record immediately prior to our IPO.

From a cash flow perspective, the Company is essentially a cash taxpayer with a 15% discount. Assuming no changes in tax regulations, we project that this will be the situation for the next two to four years.

After utilization of the pre-IPO NOLs covered by the agreement, we will then use the approximate $400 million of federal NOLs included in the AVINTIV acquisition, which will result in a period of no federal tax liability for Berry as we utilize those NOLs. After all NOLs have been depleted, we would then effectively become a full cash taxpayer.

We estimate our fiscal 2016 effective tax rate for income statement purposes at approximately 32%.

Closing out the income statement discussion, for the quarter Berry recorded adjusted net income per diluted share of $0.50, representing a growth of over 28% from the prior-year quarter of $0.39. Fiscal 2015 adjusted net income per diluted share came in at $1.73, representing a 12% improvement from $1.54 in fiscal 2014.

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 September 2015 quarter was $189 million. For the quarter, for the quarter adjusted free cash flow improved $58 million over the prior-year quarter as a result of lower cash interest cost, working capital benefits from lower raw material costs, and prudent capital spending.

The Company generated a record $436 million of adjusted free cash flow for the full fiscal-year 2015. Using the stock price at the end of September of $30.07 per share, the $436 million of adjusted free cash flow for fiscal 2015 represents $3.63 per diluted share of adjusted free cash flow, resulting in a 12.1% free cash flow yield.

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

AVINTIV also had strong financial performances for the September 2015 ending quarter and the last 12 months. AVINTIV's sales in the quarter were $440 million, down 12% from the same period in 2014 primarily as a result of passing through lower resin costs and the impact of foreign currency exchange rates.

AVINTIV's September 2015 quarterly operating EBITDA of $70 million increased $11 million or 19% from the prior-year quarter on improved mix, contribution and synergies from recent acquisitions, and strong volumes in North America. For the last 12 months, AVINTIV recorded sales of $1.9 billion and operating EBITDA of $275 million.

We remain excited about the acquisition and the benefits that we believe the combination of the businesses will generate. Our teams have been and will continue to work diligently on the integration, and we are pleased to report that the integration is going smoothly and is on track.

We remain committed to achieving the original cost synergy estimate of $50 million, with an expected $30 million to be realized in fiscal 2016. The combined teams will continue to work to identify additional synergies, and we remain optimistic that we will ultimately overdrive this number, as Berry has done in past acquisitions.

We will continue to update our investors with the progress on our quarterly calls. These cost synergies are expected to be generally primarily from our combined purchasing power, operational best practices, and elimination of redundancy and SG&A costs.

Looking at fiscal 2015 on a combined basis, net sales were $6.7 billion and operating EBITDA was $1.090 billion.

Now looking forward to our expected combined results, we have targeted our fiscal 2016 adjusted free cash flow at approximately $4 per share, or $475 million after deducting the $57 million tax receivable payment made in October 2015. This estimate assumes flat working capital with no change in plastic resin costs and constant currency rates as of the end of September.

Additionally, our capital spending is forecasted to be $285 million for fiscal 2016. Approximately $110 million of our annual capital spending is related to maintaining our facilities and equipment, and the remaining capital will be used to fund growth projects and cost-reduction initiatives.

Within our adjusted free cash flow guidance we are also assuming other cash taxes of $30 million and other cash uses of $45 million related to items such as acquisition integration expenses and synergy realization costs from the AVINTIV transaction.

This concludes my financial review, and now I'll turn it back to Jon.

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

Thank you, Mark. Today we're announcing organizational changes to the Company designed to streamline Berry, accelerate our growth, and increase our focus on customers. As Dustin mentioned at the start of the call, highlights of these changes are available on our Investor Relations website.

As I stated, the acquisition of AVINTIV that closed on October 1 is truly transformative for our Company. As we integrate AVINTIV into Berry we are taking advantage of this historic step to maximize the capability of the entire Company.

The new structure organizes Berry into three market-focused operating divisions designed to align us with our customers, provide improved service, drive future growth, and to facilitate the cost-saving synergies described earlier by Mark. These three divisions are: Health, Hygiene, and Specialties or HHS; Consumer Packaging; and Engineered Materials.

Our new Health, Hygiene, and Specialties division serves Berry's fastest-growing industry segments with hygiene, personal care, medical, and pharmaceutical products. The HH&S division will consist of all of the newly acquired AVINTIV business plus the heritage Berry flexible personal care and medical products, along with Berry's heritage international businesses, both formerly reported in Berry's Flexible Packaging segment. The division will be organized into four geographies, as AVINTIV was, that include: North America; South America; Europe, Africa, Middle East, and India; and Asia.

The HH&S division is expected to represent approximately 35% of Berry's pro forma revenue and will be led by Scott Tracey, previously AVINTIV's North American President. Scott joined PGI in 2004 and served as Europe, Mideast, Africa President from 2012 to 2014.

The new Consumer Packaging division is comprised of four different components: first, the former Berry Rigid Open Top segment; second, the former Berry Rigid Closed Top segment; third, the flexible packaging food and consumer products formerly part of Berry's Flexible Packaging business; and fourth, shrink-film products, formerly part of Berry's Engineered Materials division. Our new Consumer Packaging division will primarily serve the food and food-service markets.

We will continue to invest in industry-leading technologies to create differentiated products that excite our customers and consumers. The division will take advantage of our stronger international capabilities to grow in developing countries, where demand is expected to outpace that of the US and Europe. At the same time, the consolidation of the businesses will facilitate productivity, lower costs, increases in asset utilization rates, and capacity reductions necessitated by the recent dynamics of the North American food industry.

The Consumer Packaging division is expected to represent approximately 45% of Berry's pro forma revenue. Tom Salmon, currently President of Berry's Rigid Closed Top segment will lead the Consumer Packaging division. Tom joined Covalence, a predecessor company of Berry, in 2006.

Berry's Engineered Materials division remains as it is today except for the addition of the converter products, formerly part of Berry's Flexible Packaging segment, and less the shrink-film products moving to Consumer Packaging. The new Engineered Materials division is expected to represent approximately 20% of Berry's pro forma revenue.

We expected this division to continue to deliver growth, margin expansions, and provide substantial free cash flow, as it has done for many years. Curt Begle will continue in his role as President of the division. Curt began his career with Berry in 1999.

The following strategic considerations were paramount in the design of the new organization. First and foremost, our new structure will facilitate Berry's ability to grow and serve our customers. The new organization streamlines and simplifies the Company while aligning closely with the markets that we serve. It also takes advantage of larger international businesses and leadership teams that became part of Berry with the AVINTIV acquisition.

Second, consistent with the synergy goals we have previously communicated to investors, we've consolidated our operating businesses, integrated the AVINTIV business, eliminated redundant activities, and simplified our corporate organization.

Third, the new organization was created to minimize execution risks in the integration of AVINTIV into Berry. For example, all heritage AVINTIV organizations will now be part of the HH&S division. This will ensure that all execution plans envisioned in preacquisition planning will be completed, resulting in earnings and cash flow generations from AVINTIV consistent with our investment in that business.

As part of this announcement, current AVINTIV President and CEO Joel Hackney has chosen to leave Berry to pursue other opportunities. We thank him for his strong leadership and significant accomplishments in building AVINTIV and wish him well in the future.

Today's organizational announcement is the start of a new chapter in the history of Berry. I'm extremely excited about the transformation ongoing at Berry, and I'm confident that it will accelerate our growth and create the value that our shareholders expect.

Looking forward to fiscal 2016, we expect 2% overall sales volume growth, with our new HH&S division growing above the overall Company average and our Consumer Packaging division essentially flat on a year-over-year volume basis. However, for the purposes of establishing our fiscal 2016 guidance, we've utilized a more conservative assumption of flat total overall volumes, resulting in the 2016 full-year free cash flow guidance of approximately $4 a share or $475 million, as Mark discussed earlier, and an operating EBITDA target of approximately $1.160 billion.

Finally, Berry will continue to take the necessary proactive steps to remain competitive and a leader in the markets where we participate, 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, and now we're ready to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) George Staphos, Bank of America Merrill Lynch.

George Staphos - *BofA Merrill Lynch - Analyst*

Thanks; good morning, everybody. Appreciate all the details, and congratulations on the year and the progress.

I guess, Jon, my first question, as we look at the savings and productivity you expect to get consolidating the legacy Berry businesses into Consumer Packaging, is that separate and away -- those savings and productivity -- from the synergies you are expecting to get within AVINTIV? And if they are separate, is there a way to put some sort of dollar figure on those benefits?

Recognizing it's in your guidance, but want to see how large those might be. And then I had a couple follow-ons.

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

Thanks, George. Yes, appreciate that. First of all, the synergies that we expect to get from the consolidation of heritage Berry organizations will be incremental to the $50 million. That organization we're just putting in place, obviously, as we speak today.

It is included in the guidance that we provided for the full year. And we will detail that -- obviously this is hot off the press. We'll detail those as we report future quarters.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay; very good. Now to AVINTIV, you mentioned that you saw 2% growth overall in the quarter. Is there a way to parse that either by geography or product line?

And the related question: what kind of trends are you seeing in Brazil right now, with the obvious concerns around the macro situation there?

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

Yes, the 2% growth was for AVINTIV products in North America. AVINTIV also saw positive growth in Latin America for the quarter, which we were encouraged by.

I would say the other encouraging news that we've gotten here since we completed the acquisition -- of course we're excited in the changes of policy in Asia, where China is announcing changes in their two-child policy. Being a supplier into the diaper market, that was certainly good news for us.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay. Last one, and I will turn it over. Again, with AVINTIV we need to be mindful of the periodic needs from your new customers, at least the ones through AVINTIV, for you to add capacity related to, in particular, their expectations for diaper demand. Recognizing again you've already given us a CapEx figure for fiscal 2016, what view do you do you have right now that you could share about the need perhaps the next couple of years to add capacity to keep up with diaper demand growth?

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Then just one quick reporting question. I'm on the road; I didn't see if you put out historicals. But will you be reporting pro forma historicals including AVINTIV? And will you be breaking out Open Top and Closed Top funds going forward? Thank you, guys.

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

I'll take the first one, then I'll let Mark comment on the second one. Again, I think the capital expenditures that we plan for AVINTIV -- or the new HH&S division, which incorporates all of AVINTIV, that is included in the $285 million guidance.

We don't have at the moment plans for significant capacity investments, but we're six weeks into this since the close. We will continue to be prudent in making sure that we can serve all of our customers, and if we get to the point where we will have to announce a capacity expansion we'll do so. But we don't have any of those announcements today. Today.

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

And, George, with respect to the reporting, as we roll forward quarters we will report comparable prior-year data on the same basis as the current year under the new structure.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay, thank you.

Operator

Ghansham Panjabi, Robert W. Baird.

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

Hey, guys; good morning. Jon, just sticking with the re-segmentation aspect, how should we think about organic volume growth for each of the segments longer term?

Then on 2016, I think you said flat volumes overall. Is that flat for both AVINTIV and legacy Berry, or do you expect AVINTIV to grow faster in 2016?

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

As I said in my remarks, first of all, we're planning on 2% total volume growth internal, where we expect the new HH&S division to grow globally faster than that rate. We think that -- we're planning for the Consumer Packaging business to be flat, and we do think there'll be positive growth in the Engineered Materials business in fiscal 2016.

For the purposes of our guidance, however, we've taken a very conservative approach and assumed that we would have flat volume across the entire Company. I think, obviously, if we can achieve the 2% volume growth which we believe is possible, that will provide some upside for the year as it materializes.

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

Okay. Then the $305 million of LTM EBITDA for AVINTIV, Mark, in today's FX what does that number look like, all else being equal?

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

It's actually not significantly different, Ghansham. It would maybe be less than $5 million of difference on a current FX basis.

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

Okay. Just one final one on the CapEx at $285 million. How does that split out between legacy Berry and AVINTIV? Thanks so much, guys.

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

We don't separate the CapEx by segment. I would view it as, as we disclosed, a maintenance CapEx of $110 million, which is about the same across all the businesses, around the same percentage of revenue. And the delta is growth in cost reduction. Berry looks to the best-returning investments, not allocating specific amounts to each segment.

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

Okay, thank you.

Operator

Mark Wilde, BMO Capital Markets.

Mark Wilde - *BMO Capital Markets - Analyst*

Yes, Jon, is it possible to get a little more color on some of the facility restructuring that we're likely to see within Consumer Packaging?

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

Again, we're just starting on this journey this week, and I think as we -- obviously, the soft demands of the last couple years I think has necessitated a look at both capacity utilizations, and ultimately that will include some looks at our asset structure. We're not announcing anything today. As those plans firm up, we'll communicate the details of those to the investment community.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. Mark, is it possible to get some sense in fiscal 2015 the benefit that you got from both resin and acquisitions on an EBITDA standpoint?

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

Yes, Mark. The lag benefit for Berry in fiscal 2015 was right at about $5 million, in aggregate.

Mark Wilde - *BMO Capital Markets - Analyst*

That's the resin piece, right?

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

That's the resin piece, yes. Just the timing lag relative to the contractual passthrough was $5 million for the full year. For the quarter, it was essentially zero.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay.

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

But for the full year, we did have about a $5 million net benefit.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. Then the benefit from acquisitions that came in through the year?

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

I don't have that handy. Let me get back to you with that, Mark.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay; all right. Then the last question I have is just over in the Rigid Open Top business. If we go back over the last three years you are down about $70 million in EBITDA and your margins are down a little over 300 basis points. Can you just help us understand the component pieces of that?

I'm sure there's some drag in there from the ramp-up on Versalite. Last year you talked about some volume loss in the cup business. But just help us understand what's going on inside that business.

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

If you look at it over the period of time that you just described, several factors were important. A couple of years ago as we have discussed in numerous conference calls, we did lose some share in our drink cup business on a one-time basis as a contract was renegotiated. That has actually flowed through now, and volume growth for our traditional drink cup business in Open Top was very good here in fiscal 2015.

The other major part of that business is containers. We have -- the largest served industry market there has been dairy. Dairy has been soft; but recently we've seen some marked improvements in terms of demand for dairy products and the packages that we use to serve those.

So we are starting to see volumes improve in our Rigid Open Top business as we discussed. Additionally, as you correctly mentioned, we've had some start-up costs associated with our Versalite product.

But moving forward, obviously, that division won't exist in its current form. It will be part of our Consumer Packaging business.

But the components that make up that business, we feel quite good about the near-term prognosis for growth.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay, all right; that's helpful, Jon. Good luck in the coming year.

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

Appreciate that.

Operator

Anthony Pettinari, Citibank.

Anthony Pettinari - *Citigroup - Analyst*

Good morning. Regarding SG&A, I think Berry typically ran around 6.5% of sales as SG&A, and this year that's ticked up closer to 7.5%. I was wondering if you could just talk about the expected SG&A needs of the combined business.

Do you need to ramp SG&A further as you pursue some of these cross-selling opportunities? Or just how we should think about that in 2016 and beyond.

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

Anthony, it's Mark. AVINTIV's business has a slightly higher SG&A cost as a result of its international global footprint. The combination of the two companies, obviously we do expect some synergies to come from SG&A. So I think in aggregate you should see the combined Company fall back in line with where we are today.

Anthony Pettinari - *Citigroup - Analyst*

Okay; that's helpful. Then can you remind us when you should be back to 4 times leverage? I think historically you gave that optimal debt ratio of 2 to 4 times for Berry, which is a fairly wide range. With the new Berry, what do you think the optimal debt ratio is, and when can you get to that 4 times?

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

Yes, as we start the year on a pro forma basis, Anthony, we're just a tick above 5, I think 5.1 to be exact, from a -- on a pro forma leverage basis. Our goal remains to be about a half a turn reduction per year.

We think in a couple of years we should be at that targeted 4 times leverage level. And we do agree that the bottom end of that range is probably more reasonable to assume a 3 times leverage for the new Company as a more reasonable low end. So 3 to 4 is what we'll look to stay in at least for the foreseeable future.

Anthony Pettinari - *Citigroup - Analyst*

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

Operator

Chris Manuel, Wells Fargo.

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

Good morning, gentlemen. A couple questions for you. I think you had started -- during your opening remarks you gave us a few volume numbers by pieces. I think you said Rigid Open Top may be up a point.

But could you give us what the other segments that you had currently reported were? Closed Top and Flexibles and Engineered, etc.

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

Sure, For the quarter -- hey, Chris -- Open Top was up 1; Closed Top down 5; EM down 2; and Flexible Packaging down 3.

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

Okay; that's helpful. Was the exit rate coming -- it sounds like volumes have begun to get better, particularly in light of what you were thinking for 2016. Did the rate of the change through the quarter reflect that?

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

Yes. I think perhaps just as Nielsen reported yesterday, the most recent four-month period, it was actually the second month in a row where we saw encouraging increases in food packaging volumes from a consumer perspective. And I would say that at the end of the first month of our 2016 fiscal year our results are consistent with the guidance that we provided so far.

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

Okay; that's helpful. Wanted to ask a question or two around Versalite if I could. There was some really nice press yesterday about the sexy new Versalite cup that Dunkin' is using and how folks are walking around with it a lot.

Where are you at with the rollout for that? I think towards year-end you were to be in the neighborhood of 2 billion units of capacity.

Embedded in your CapEx number for next year, are you assuming a continued rollout at roughly a cell a quarter? And if so, where are we at in the process of that product beginning to become both cash and EBIT contributing?

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

Look, we were pleased that revenues grew in the quarter. As those grew, we continued to scale up our volumes, and we did have a couple of growing pains operationally in the quarter as we continued to try to serve those volumes.

I would point out one important factor here that's happened in the last several months, and that is with oil prices dropping significantly the cost difference between expanded polystyrene and either paper cups or Versalite cup alternatives has widened.

And while customers who currently use EPS remain interested in Versalite for sustainability reasons, the larger cost disadvantage is causing them to delay some decisions to switch. And we're certainly seeing that effect.

We continue to price Versalite very competitive with premium double-wall paper cups, where we think Versalite offers improved performance enhanced graphics, and easier recycleability. So I think for customers that would be switching from Styrofoam, certainly they continue to do it for the right reasons. But the cost penalty they have to incur has widened and I think that will have some impact on the rate at which the volumes grow.

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

I mean is that a -- essentially maybe you're not going to be putting a line a quarter in? Are you still seeing -- obviously you're seeing growth in the product, but do you think you have enough capacity now to serve that? Or do you still need to envision adding capacity in 2016?

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

I think as we've said over the past several calls, we've now qualified multiple machine vendors. We have the ability to add capacity in a sprint fashion.

So we will add capacity commensurate with demand. But I think we no longer have to pre-add capacity. So for now I think we have the capacity we need for the next couple of quarters.

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

Okay, that's helpful. One last housekeeping question for Mark. I think you mentioned you're going to do quarterly numbers for 2015 regarding your new segments.

Is it possible that you could maybe tuck those in a 10-K filing or something, so that we have them to help us build our models, as opposed to waiting each quarter as we get those?

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

It is possible, Chris. Let us take a look at that and get back to you. We'll look at filing that in an 8-K if we can (multiple speakers)

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

Thank you. Good luck, guys.

Operator

(Operator Instructions) Danny Moran, Macquarie.

Danny Moran - *Macquarie Research - Analyst*

Hey, good morning, guys. Congrats on the solid free cash flow.

Can we -- can you go into a little more detail on your CapEx range of $110 million to $330 million? What type of volumes would lead you to the lower end, and what would lead you to the higher end there?

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

Well, I think the -- yes, sure, the $110 million obviously is the minimum for maintenance purposes. There is also a modest amount of capital that's necessary to, I would call it, maintaining EBITDA as products end lifecycle and have to be replaced. And then the balance we would use again for a combination of cost reduction and growth, and really that's going to vary depending on the opportunity.

I think you hopefully heard that our CapEx guidance for next year is $285 million, which is based on essentially a flat volume environment. So getting back to more normal low-mid-single digits would push the $330 million capital number.

Danny Moran - *Macquarie Research - Analyst*

Got it, okay. Then just on that 2% internal volume growth target for fiscal 2016, how much of this is driven by new products?

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

We don't break that out. But I think, obviously, with the addition of AVINTIV the base of the entire business is much, much larger. But we do expect new products to continue to contribute nicely, but we're not breaking that number out.

Danny Moran - *Macquarie Research - Analyst*

Okay. Then just a last one on the competitive front. Are you seeing any increased competition anywhere? Are you gaining or losing share in any notable areas?

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

I would just say that the packaging space and the competitive environment that we face in the new HH&S division -- look, it's always a competitive world out there. We think Berry is very well positioned to compete in the segments in which we participate.

And given the fact that we have 13,000 different SKUs, you always see some ups and downs. But in general I would say we're competing very effectively.

Danny Moran - *Macquarie Research - Analyst*

Okay; that's helpful. That's all for me. Thanks and good luck in fiscal 2016.

Operator

Alex Ovshey, Goldman Sachs.

Alex Ovshey - *Goldman Sachs - Analyst*

Thank you; good morning, everyone. A couple of questions.

First, in your outlook for EBITDA for 2016 for the total Company, can you talk about what the expectation is for the consumer segment? Do you expect for EBITDA to grow in that segment in 2016?

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

We expect earnings growth in all three of our operating businesses, but we're not breaking out those details for guidance.

Alex Ovshey - *Goldman Sachs - Analyst*

Okay.

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

We expect all three divisions to have year-over-year improvements in operating EBITDA.

Alex Ovshey - *Goldman Sachs - Analyst*

Okay. Then just on price/cost, Mark, I think you said the resin lag was $5 million. But I think just overall price/cost should have been much, much higher than that; correct me if I'm not thinking about it correctly. But if I am, can you just talk about what the overall price/cost benefit was for the Company in fiscal 2015, and how you guys are thinking about that number for fiscal 2016?

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

You've got it right, Alex. The lag portion was $5 million. And you are correct; I believe the material price difference was bigger than that.

Obviously, there's a balance between that and volume. Obviously. And we work hard to manage that. I don't have the exact number in front of me, but it was a little larger than the $5 million, certainly.

Alex Ovshey - *Goldman Sachs - Analyst*

Okay. Thank you, Mike; we'll follow up. Just lastly, I may have missed this; if I did, I apologize.

But did you guys provide any update on just how NuSeal/Barricade, and just opportunities that you guys are seeing and expect to see next year? Thank you. I'll turn it over.

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

We remain very excited about NuSeal/Barricade as a product line, as we've talked about before. We continue to be excited about Frito as a customer. Those products continue to be out on shelves at grocery stores around the country.

We've also said that we would be in a PET application by the end of the year. We've actually sent product in to be filled, and my understanding is it should be out on store shelves right after January 1.

Alex Ovshey - *Goldman Sachs - Analyst*

Thank you, Jon.

Operator

Debbie Jones, Deutsche Bank.

Debbie Jones - *Deutsche Bank - Analyst*

Hi, good morning. In the past year there was talk about using AVINTIV's international operations as like a springboard for some of your legacy business into those markets. Can you talk about that and whether or not there's any contribution built into your outlook?

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

Yes. As I described today, all of Berry's heritage international operations, with the exception of our Seal for Life business, a very small part of our PVC business, and a very small business that we have in super sacks, which is in Mexico, those will all continue to be in Engineered Materials.

All of the rest, which is the vast majority of our international businesses, will now report to the three international regions that make part of the HH&S division. With that acquisition we got outstanding leadership teams there, more developed sales, marketing, and R&D resources. And we do anticipate that those three regions will grow not only -- they'll be responsible for not only the HH&S growth but also the growth of Consumer Packaging and Engineered Materials around the globe.

So we think it will be a big opportunity for us as we go into the future. The detail of how much that is in the 2016 guidance, we're not breaking that out.

Debbie Jones - *Deutsche Bank - Analyst*

Okay, thanks. I guess, Mark, sorry if I missed something here, but there was a pretty big jump in the diluted share count. Was there something there that I missed?

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

No, there shouldn't have been, Debbie. There was nothing unusual in the past quarter. We can go through that with you off-line, but there wasn't anything unusual that you would've missed.

Debbie Jones - *Deutsche Bank - Analyst*

Okay. I'll talk about it off-line. Thanks very much. I'll turn it over.

Operator

Thank you. There are no further questions. I will now turn the call over to Jon Rich, CEO of Berry Plastics, for closing remarks.

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

Thank you very much. We certainly appreciate your interest in Berry Plastics and participation today. We look forward to talking to you again in the next conference call. Thanks, everybody.

Operator

Ladies and gentlemen, this does conclude today's program. You may all disconnect. Everybody have a wonderful day.