

Sealed Air Corp.

4Q Flash: Vols > BofA; '24 guide modestly below but possibly conservative; Buy

Maintain Rating: BUY | PO: 42.00 USD | Price: 36.08 USD

SEE EPS of \$0.88 vs. BofA at \$0.58 and Street at \$0.63

We maintain our Buy rating on Sealed Air Corp (SEE) which posted better-than-expected 4Q results and in-line/below guidance. SEE reported 4Q adj. op. EPS of \$0.88, ahead of BofA at \$0.58 and the Street at \$0.63 (Visible Alpha). This also compares the company's implied 4Q guidance of \$0.54. We have been recommending SEE based on valuation and the opportunity to improve performance, as well as potential strategic action over time. Relative to our model, higher operating income added 14c to EPS (with ~11c of this coming from D&A), a lower net interest expense added 3c, and other cost variances added 1c. Meantime, a lower adj. tax rate added 11c and share count added 1c. While we can't ever know for sure, our sense is investors were relatively cautious going into results and have not had high expectations for 2024. As a result, we'd expect a mixed to positive market reception to these results, given the quarter "beat" and the in-line/below guidance for 2024. The quarter conference call is coming up this morning and we'll vet the company's outlook at that time, but we would understand if SEE was attempting conservatism in its guidance.

'24 guide of \$2.65-3.05 vs BofA @ \$3.00, Street @ \$3.03

Looking out, SEE's new 2024 EPS guidance is \$2.65-3.05 which compares to our \$3.00 estimate and the Street at \$3.03. The company also expects adj. EBITDA of \$1.05-1.15bn against our \$1.130bn estimate and the Street at \$1.139bn. Further, SEE expects sales of \$5.2-5.6bn. SEE's FCF guidance is \$325-425mn which includes capex of \$230mn. We have been at \$434mn in FCF and \$225mn in capex, respectively. Lastly, the company commented that its end-markets are showing signs of stabilization and that it expects them to recover in 2H24. This has been a consistent theme across 4Q reporting.

Food ahead of our ests, Protective in-line; Vols > BofA

On a segment basis, Food adjusted EBITDA of \$194.9mn was \$12.4mn above our \$182.5mn estimate. Food volumes declined by -3.3% which was better than our -5% estimate and the company mentioned that this was primarily driven by continued food retail market declines as well as declines in food automation. Meantime, pricing had a \$6mn favorable impact (or 1%) on Food's topline which was in-line with our estimate. Protective EBITDA of \$90.5mn was \$1mn ahead of our \$89.5mn estimate. The volume decline of -4.7% was also above our -7% estimate and SEE noted that it still saw market pressures in fulfillment and industrial sectors. Pricing was unfavorable by \$25mn (or 5%) on revenue for Protective which compared to our -4% estimate. Meantime, Corporate adj. EBITDA of -\$11.1mn compared to our -\$6.5mn estimate.

27 February 2024

Equity

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Stock Data

Price	36.08 USD
Price Objective	42.00 USD
Date Established	2-Jan-2024
Investment Opinion	B-1-7
52-Week Range	28.50 USD - 50.15 USD
Mrkt Val (mn) / Shares Out (mn)	5,228 USD / 144.9
Free Float	99.1%
Average Daily Value (mn)	54.94 USD
BofA Ticker / Exchange	SEE / NYS
Bloomberg / Reuters	SEE US / SEE.N
ROE (2023E)	115.2%
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter™	Medium

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Timestamp: 27 February 2024 08:19AM EST

Price objective basis & risk

Sealed Air Corp. (SEE)

Our \$42 price objective is derived from a three-part valuation approach, which includes: (1) a 14-15x 2024E P/E multiple, (2) a 10x 2023E EV/EBITDA multiple, and (3) our intrinsic free cash flow (FCF) valuation, which assumes \$450mn of normalized FCF, 11% cost of equity, and a 3% growth rate. Our target multiples are based on SEE's past trading history and also peer multiples. SEE has been able to trade in the high teens to low twenties on a P/E basis, and a premium to the market when fundamentals improve.

Downside risks to our price objective are (1) risks relative to the company's ability to manage pricing and spreads, given (2) energy volatility, resin price volatility and agricultural market risks, (3) international business risks (approximately 65% of sales derived abroad), including FX and emerging market trends, (4) competitive and other factors negatively impacting volume to a greater degree than expected, (5) risks relative to execution of the company's transformation strategies over the last several years, (6) challenges associated with management transitions.

Overall, energy and commodity volatility represent ongoing risks for packaging companies. Industry and economic trends could prove weaker or stronger than we modeled. Greater-than-expected weakness could lead to valuation multiples and earnings that are below our forecasts.

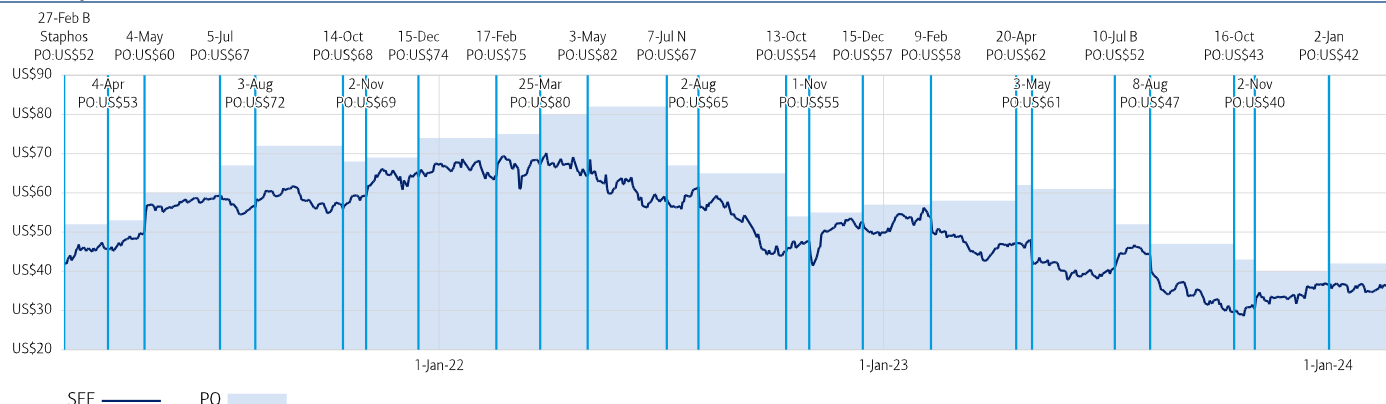
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Sealed Air Corp (SEE) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	14	60.87%	Buy	10	71.43%
Hold	6	26.09%	Hold	5	83.33%
Sell	3	13.04%	Sell	2	66.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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