SEALED AIR CORP/DE
Form 10-K
February 19, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
Or
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-12139

SEALED AIR CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	65-0654331
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2415 Cascade Pointe Boulevard, Charlotte, North Carolina	28208
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (980)-221-3235
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.10 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or

information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Emerging growth company

Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
As of the last business day of the registrant’s most recently completed second fiscal quarter, June 30, 2018, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately $6,753,286,109, based on the closing sale price as reported on the New York Stock Exchange.
There were 155,632,640 shares of the registrant’s common stock, par value $0.10 per share, issued and outstanding as of February 8, 2019.
DOCUMENTS INCORPORATED BY REFERENCE:
Portions of the registrant’s definitive proxy statement for its 2019 Annual Meeting of Stockholders, to be held on May 16, 2019, are incorporated by reference into Part II and Part III of this Form 10-K.

SEALED AIR CORPORATION AND SUBSIDIARIES
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Cautionary Notice Regarding Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 concerning our business, consolidated financial condition and results of operations. The Securities and Exchange Commission (“SEC”) encourages companies to disclose forward-looking statements so that investors can better understand a company’s future prospects and make informed investment decisions. Forward-looking statements are subject to risks and uncertainties, many of which are outside our control, which could cause actual results to differ materially from these statements. Therefore, you should not rely on any of these forward-looking statements. Forward-looking statements can be identified by such words as “anticipate,” “believe,” “plan,” “assume,” “could,” “should,” “estimate,” “expect,” “intend,” “potential,” “seek,” “predict,” “may,” “will” and similar r future periods. All statements other than statements of historical facts included in this report regarding our strategies, prospects, financial condition, operations, costs, plans and objectives are forward-looking statements. Examples of forward-looking statements include, among others, statements we make regarding expected future operating results, expectations regarding the results of restructuring and other programs, anticipated levels of capital expenditures and expectations of the effect on our financial condition of claims, litigation, environmental costs, contingent liabilities and governmental and regulatory investigations and proceedings.

Please refer to Part I, Item 1A, “Risk Factors” for important factors that we believe could cause actual results to differ materially from those in our forward-looking statements. Any forward-looking statements made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

The following are important factors that we believe could cause actual results to differ materially from those in our forward-looking statements: global economic and political conditions, currency translation and devaluation effects, changes in raw material pricing and availability, competitive conditions, the success of new product offerings, consumer preferences, the effects of animal and food-related health issues, pandemics, changes in energy costs, environmental matters, the success of our restructuring activities, the success of our financial growth, profitability, cash generation and manufacturing strategies and our cost reduction and productivity efforts, changes in our credit ratings, the tax benefit associated with the Settlement agreement (as defined below), regulatory actions and legal matters, and the other information referenced in Part II, Item 1A, “Risk Factors.” Any forward-looking statements made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Non-U.S. GAAP Information

We present financial information that conforms to Generally Accepted Accounting Principles in the United States of America (“U.S. GAAP”). We also present financial information that does not conform to U.S. GAAP, which we refer to as non-U.S. GAAP, as our management believes it is useful to investors. In addition, non-U.S. GAAP measures are used by management to review and analyze our operating performance and, along with other data, as internal measures for setting annual budgets and forecasts, assessing financial performance, providing guidance and comparing our financial performance with our peers. The non-U.S. GAAP information has limitations as an analytical tool and should not be considered in isolation from or as a substitute for U.S. GAAP information. It does not purport to represent any similarly titled U.S. GAAP information and is not an indicator of our performance under U.S. GAAP. Non-U.S. GAAP financial measures that we present may not be comparable with similarly titled measures used by others. Investors are cautioned against placing undue reliance on these non-U.S. GAAP measures. Further, investors are urged to review and consider carefully the adjustments made by management to the most directly comparable U.S. GAAP financial measure to arrive at these non-U.S. GAAP financial measures. See Note 5, “Segments” of the Notes to Consolidated Financial Statements and our Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) for reconciliations of our U.S. GAAP financial measures to non-U.S. GAAP. Information reconciling forward-looking U.S. GAAP measures to non-U.S. GAAP measures is not available without unreasonable effort.

Our management may assess our financial results both on a U.S. GAAP basis and on a non-U.S. GAAP basis. Non-U.S. GAAP financial measures provide management with additional means to understand and evaluate the core operating results and trends in our ongoing business by eliminating certain one-time expenses and/or gains (which may not occur in each period presented) and other items that management believes might otherwise make comparisons of our ongoing business with prior periods and peers more difficult, obscure trends in ongoing operations or reduce management’s ability to make useful forecasts.

Our non-U.S. GAAP financial measures may also be considered in calculations of our performance measures set by the Organization and Compensation Committee of our Board of Directors for purposes of determining incentive compensation. The non-U.S. GAAP financial metrics mentioned above exclude items that we consider to be certain specified items (“Special Items”), such as restructuring charges, charges related to the sale of Diversey, charges related to ceasing operations in Venezuela, cash-settled stock appreciation rights (“SARs”) granted as part of the original Diversey acquisition, special tax items (“Tax Special Items”) and certain other infrequent or one-time items. We evaluate unusual or Special Items on an individual basis. Our evaluation of whether to exclude an unusual or special item for purposes of determining our non-U.S. GAAP financial measures considers both the quantitative and qualitative aspects of the item, including among other things (i) its nature, (ii) whether or not it relates to our ongoing business operations, and (iii) whether or not we expect it to occur as part of our normal business on a regular basis.

The Company measures segment performance using Adjusted EBITDA (a non-U.S. GAAP financial measure). Adjusted EBITDA is defined as Earnings before Interest Expense, Taxes, Depreciation and Amortization, adjusted to exclude the impact of Special Items.

Adjusted Net Earnings and Adjusted Earnings Per Share (“Adjusted EPS”) are also used by the Company to measure total company performance. Adjusted Net Earnings is defined as U.S. GAAP net earnings from continuing operations excluding the impact of Special Items, including the expense or benefit from any special taxes or tax benefits (“Tax Special Items”). Adjusted EPS is defined as our Adjusted Net Earnings divided by the number of diluted shares outstanding.

We also present our adjusted income tax rate (“Adjusted Tax Rate”). The Adjusted Tax Rate is a measure of our U.S. GAAP effective tax rate, adjusted to exclude the tax impact from the Special Items that are excluded from our Adjusted Net Earnings and Adjusted EPS metrics as well as expense or benefit from any special taxes or tax benefits (“Tax Special Items”). The Adjusted Tax Rate is an indicator of the taxes on our core business. The tax circumstances and effective tax rate in the specific countries where the excluded or Special Items occur will determine the impact (positive or negative) to the Adjusted Tax Rate.

In our “Net Sales by Geographic Region,” “Net Sales by Segment” and in some of the discussions and tables that follow, we exclude the impact of foreign currency translation when presenting net sales information, which we define as “constant dollar” and we exclude acquisition and divestiture activity and the impact of foreign currency translation when presenting net sales information, which we define as "organic." Changes in net sales excluding the impact of foreign currency translation are non-U.S. GAAP financial measures. As a worldwide business, it is important that we take into account the effects of foreign currency translation when we view our results and plan our strategies. Nonetheless, we cannot control changes in foreign currency exchange rates. Consequently, when our management looks at our financial results to measure the core performance of our business, we may exclude the impact of foreign currency translation by translating our current period results at prior period foreign currency exchange rates. We also may exclude the impact of foreign currency translation when making incentive compensation determinations. As a result, our management believes that these presentations are useful internally and may be useful to investors.

We have not provided guidance for the most directly comparable U.S. GAAP financial measures, as they are not available without unreasonable effort due to the high variability, complexity, and low visibility with respect to certain Special Items, including gains and losses on the disposition of businesses, the ultimate outcome of certain legal or tax proceedings, foreign currency gains or losses resulting from the volatile currency market in Argentina and Venezuela, and other unusual gains and losses. These items are uncertain, depend on various factors, and could be material to our results computed in accordance with U.S. GAAP.

PART I

Item 1. Business

The Company

Sealed Air Corporation ("Sealed Air" or the "Company", also referred to as "we", "us", or "our") partners with customers to solve their most critical packaging challenges with innovative solutions that leave our world, environment, and communities better than we found them.

Sealed Air was incorporated in Delaware in 1960. We conduct substantially all of our business through two wholly-owned subsidiaries, Cryovac, LLC (formerly, Cryovac, Inc.) and Sealed Air Corporation (US). Please refer to Part II, Item 8, “Financial Statements and Supplementary Data” for financial information about the Company and its subsidiaries, which is incorporated herein by reference. Also, when we cross reference to a “Note,” we are referring to our “Notes to Consolidated Financial Statements,” unless the context indicates otherwise.

In 2018, we generated net sales of $4.7 billion, an increase of 6% over the prior year, net earnings from continuing operations of $150 million, an increase of 139% over prior year and Adjusted EBITDA of $890 million, an increase of 7% over the prior year. Refer to Part II, Item 7 “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” for reconciliation of U.S. GAAP net earnings to Non-U.S. GAAP total company Adjusted EBITDA.

Competitive Strengths

In the markets we serve, we leverage our iconic brands, leading market positions, differentiated technologies, global scale/market access, and well-established customer relationships. Our portfolio of widely recognized brands includes Cryovac® food packaging and Bubble Wrap® protective packaging which respectively enable a safer, more efficient food supply chain and protect valuable goods shipped around the world.

Leading Market Positions. We are a leading global provider of packaging solutions for the food, e-Commerce, electronics and industrial markets. For food industries we provide integrated packaging materials, equipment, automation and service solutions that extend shelf life, enhance brands and drive operational excellence by eliminating waste, increasing processing speeds and reducing customers’ labor requirements. For e-Commerce, electronics, and industrial markets we offer a broad range of sustainable protective packaging materials and automation solutions that prevent product damage and enhance ‘out-of-the-box’ customer experience while increasing order fulfillment velocity, and generating savings through reductions in waste, dimensional weight and packaging labor.

Innovation. Sealed Air operates state of the art Innovation centers in the U.S. and Europe, and a global network of 41 packaging labs and design centers staffed with an extensive team of scientists, engineers, designers and industry application experts. Our research and development efforts are focused on developing sustainable, innovative solutions to improve our customers’ profitability, and help them deliver outstanding customer experience to their customers.

Global Reach. Sealed Air serves a diverse global customer base with a sales and distribution network reaching 123 countries/regions. In 2018, 49% of net sales were from outside the U.S. This scale and reach enable us to partner with customers as they expand their business on a global basis. Our broad geographic presence and extensive distribution network position us to capitalize on growth opportunities in markets around the world.

Diversified Customer Base. Our customers include the world’s leading food processors, e-Commerce and industrial and electronics manufacturers. We leverage extensive knowledge of our customers’ business when innovating new solutions, and partner with customers to effectively apply our solutions to improve their operations. Our customer base is diverse, with no single customer or affiliated group of customers representing more than 10% of net sales in 2018.

Reinvent SEE Strategy and Restructuring SEE Initiatives

In 2018, we completed a thorough assessment of our entire organization and the market opportunities available across the global packaging industry. This assessment confirmed Sealed Air is well positioned to continue delivering organic growth above the markets we serve. It also reinforced the need to grow market share and move into adjacent markets with greater speed and efficiency, as we accelerate returns on our highly differentiated innovations. Acting on these findings, Sealed Air formulated and is executing its Reinvent SEE Strategy and complementary restructuring program.

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The objective of our Reinvent SEE strategy is to transform how we innovate, buy, make, and solve customers' most critical packaging challenges. The strategy focuses on four key initiatives:

Speed to Market on Innovations. Invest in technology and resources focusing on new and existing high-growth markets. This is expected to accelerate Sealed Air's innovation rate over the next five years.

SG&A Productivity. Simplify structure to create a more nimble and efficient organization.

Product Cost Efficiency. Expand SEE Operational Excellence across the entire company by upgrading end-to-end processes: innovate, buy, make and solve. Drive continuous improvement in manufacturing and across Sealed Air's global network in areas such as procurement, conversion cost productivity, materials yield and network efficiency.

Channel Optimization and Customer Service Enhancements. Leverage Sealed Air's extensive distribution network to drive market share in existing and adjacent markets. The Company will continue to invest in digital systems and processes to improve cycle time and responsiveness.

See Note 10, "Restructuring Activities," of the Notes to Consolidated Financial Statements for further information on our Board of Directors approved Restructuring Programs.

Segments

We report our segment information in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 280, "Segment Reporting," ("FASB ASC Topic 280"). To accelerate productivity improvements and elimination of operational redundancies, during the year the Company implemented a change in allocation of Corporate expenses. These expenses are now allocated to Food Care and Product Care segments.

See Note 5, "Segments," of the Notes to Consolidated Financial Statements for further information.

Descriptions of the Reportable Segments and Other

Food Care Segment

Food Care largely serves perishable food processors, predominantly in fresh red meat, smoked and processed meats, poultry and dairy (solids and liquids) markets worldwide, and maintains a leading position in target applications. Food Care provides integrated packaging materials and equipment solutions to provide food safety, shelf life extension, and total cost optimization with innovative, sustainable packaging that enables customers to reduce costs and enhance their brands in the marketplace.

Food Care solutions are well aligned to capitalize on global market dynamics driven by continued urbanization, global growth of middle class, the e-food movement, growing consumer preference for smaller portions and healthier food choices, increasing labor scarcity, and demand for more sustainable packaging. Food Care technologies and continued investment in innovation positions it not only to address, but to be a global leader providing solutions for sustainable packaging. Food Care solutions are marketed under the Cryovac® trademark and other highly recognized brands including Cryovac Grip & Tear®, Cryovac® Darfresh®, Cryovac Mirabella®, Simple Steps® and Optidure™.

Food Care applications are largely sold direct to customers by our sales, marketing and customer service personnel throughout the world.

Product Care Segment

Product Care packaging solutions are utilized across many global markets and are especially valuable to e-Commerce, electronics and industrial manufacturing. Product Care solutions are designed to protect valuable goods in shipping, and drive Operational Excellence for our customers, increasing their order fulfillment velocity while minimizing material usage, dimensional weight and packaging labor requirements. The breadth of Product Care's solutions portfolio, extensive packaging engineering and technical services, and global reach uniquely supports the needs of multinational customers who require performance excellence, consistency and reliability of supply wherever they operate around the globe. The acquisition of Fagerdala in 2017 and AFP, Inc., a leading, privately held fabricator of foam, corrugated, molded pulp and wood packaging solutions, in 2018 enabled us to further expand our protective packaging solutions in electronics, transportation and industrial markets with turnkey, custom-engineered, fabricated solutions.

Product Care benefits from the continued expansion of e-Commerce, increasing freight costs, scarcity of labor, and increasing demand for more sustainable packaging. Product Care solutions are largely sold through supply distributors that sell to business/industrial end-users. Product Care solutions are additionally sold directly to fabricators, original equipment manufacturers, contract manufacturers, third-party logistics partners, e-commerce/fulfillment operations, and at various retail centers. Product Care solutions are marketed under industry-leading brands including Bubble Wrap® packaging, Cryovac® performance shrink films, Instapak® polyurethane foam packaging systems, and Korrvu® suspension and retention packaging. Solutions are sold globally and supported by a network of 41 American Society for Testing and Materials International ("ASTM") approved Product Care design and testing centers, and one of the industry's largest sales and service teams.

Global Operations

We operate through our subsidiaries and have a presence in the U.S. and the 47 other countries/regions listed below, enabling us to distribute our products to our customers in 123 countries/regions.

Argentina	Denmark	Israel	Philippines	Taiwan
Australia	Finland	Italy	Poland	Thailand
Belgium	France	Japan	Portugal	Turkey
Brazil	Germany	Luxembourg	Russia	Ukraine
Canada	Greece	Malaysia	Singapore	United Arab Emirates
Chile	Guatemala	Mexico	South Africa	United Kingdom
China	Hong Kong	Netherlands	South Korea	Uruguay
Colombia	Hungary	New Zealand	Spain	
Costa Rica	India	Norway	Sweden	
Czech Republic	Ireland	Peru	Switzerland	

We face risks inherent in these international operations, such as currency fluctuations, inflation and political instability. Information on currency exchange risk appears in Part II, Item 7A of this Annual Report on Form 10-K, which information is incorporated herein by reference. Other risks attendant to our international operations are set forth in Part I, Item 1A "Risk Factors," of this Annual Report on Form 10-K, which information is incorporated herein by reference. Information on the impact of currency exchange on our Consolidated Financial Statements appears in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Financial information showing net sales and total long-lived assets by geographic region for each of the two years ended December 31, 2018 appears in Note 5, "Segments," which information is incorporated herein by reference. We maintain programs to comply with the various laws, rules and regulations related to the protection of the environment that we may be subject to in the many countries/regions in which we operate. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Environmental Matters."

Raw Materials and Purchasing

Suppliers provide raw materials, packaging components, contract manufactured goods, equipment and other direct materials, such as inks, films and paper. Our principal raw materials are polyolefin and other petrochemical-based resins, as well as, paper and wood pulp products. Raw materials represent approximately one-third of our consolidated cost of sales. We also purchase corrugated materials, cores for rolls of products such as films and Bubble Wrap® brand cushioning, inks for printed materials, and blowing agents used in the expansion of foam packaging products. In addition, we offer a wide variety of specialized packaging equipment, some of which we manufacture or have manufactured to our specifications, some of which we assemble and some of which we purchase from suppliers. Equipment and accessories include industrial and food packaging equipment.

The vast majority of the raw materials required for the manufacture of our products and all components related to our equipment and accessories generally have been readily available on the open market, in most cases are available from several suppliers and are available in amounts sufficient to meet our manufacturing requirements. However, we have some sole-source suppliers, and the lack of availability of supplies could have a material negative impact on our consolidated financial condition or results of operations. Natural disasters such as hurricanes, as well as political instability and terrorist activities, may negatively impact the production or delivery capabilities of refineries and natural gas and petrochemical suppliers and suppliers of other raw materials. Due to by-product/co-product chemical relationships to the automotive and housing markets, several materials may become difficult to source. These factors could lead to increased prices for our raw materials, curtailment of supplies and allocation of raw materials by our suppliers. We purchase some materials used in our packaging products from materials recycled in our manufacturing operations or obtained through participation in recycling programs. Although we purchase some raw materials under long-term supply arrangements with third parties, these arrangements follow market forces and are in line with our overall global purchasing strategy, which seeks to balance the cost of acquisition and availability of supply.

We have a centralized supply chain organization, which includes centralized management of purchasing and logistic activities. Our objective is to leverage our global scale to achieve purchasing efficiencies and reduce our total delivered cost across all our regions. We do this while adhering to strategic performance metrics and stringent purchasing practices.

Competition

There are other manufacturers of Food Care's products, some operate across multiple regions and others that operate in a single region or single country. Competing manufacturers produce a wide variety of food packaging based on plastic, metals and other materials. We believe that we are one of the leading suppliers of flexible food packaging materials and related systems in the principal geographic areas in which we offer those products.

Product Care competes against similar products made by other manufacturers and with alternative packaging materials that customers use to provide protection against damage to their products during shipment and storage. Among the competitive materials are paper packaging, expanded plastics, corrugated die cuts, strapping, envelopes, reinforced bags, and corrugated boxes as well as various types of molded foam plastics, fabricated foam plastics, mechanical shock mounts, wood blocking and bracing systems, and an assortment of automated packaging and fulfillment systems. We believe that we are one of the leading suppliers of air cellular cushioning materials containing a barrier layer, inflatable packaging, suspension and retention packaging, shrink films for industrial and consumer applications, protective mailers, polyethylene foam and polyurethane foam packaging systems in the principal geographic areas in which we sell these products.

Seasonality

Historically, net sales in our Food Care segment have tended to be slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter, due to holiday events. Net sales in our Product Care segment have also tended to be slightly lower in the first quarter and higher in the mid-third quarter and through the fourth quarter due to the holiday shopping season. On a consolidated basis, there is little seasonality in the business, with net sales slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter. Our consolidated net earnings typically trend directionally the same as our net sales seasonality. Cash flow from operations has tended to be lower in the first quarter and higher in the fourth quarter, reflecting seasonality of sales and working capital changes, including the timing of certain annual incentive compensation payments.

Other factors may outweigh the effects of seasonal changes in our net earnings results including, but not limited to, changes in raw materials and other costs, foreign exchange rates, interest rates, taxes and the timing and amount of acquisition synergies and restructuring and other non-recurring charges.

Research and Development Activities

We are advancing science and technology and creating new intellectual property which underpins the development of new solutions for our customers, including new, sustainable packaging materials, equipment automation and integration, applications knowledge, and support for our digital solutions. We maintain key external partnerships and are constantly searching for new partnerships that bring unique value, including licensing or acquiring new technologies developed by others. Our technical capabilities encompass a broad range of disciplines including food science, materials science, chemistry and chemical engineering, mechanical engineering, electrical and software engineering, microbiology, package design and engineering and equipment engineering. Our research and development expense was $81 million in 2018, $92 million in 2017 and $88 million in 2016.

Our research and development activities are focused on end-use applications. As a result, we operate:

- four comprehensive Packaging Development and Innovation Centers located in the U.S., Italy, and Singapore;
- seven Equipment Design Centers in the U.S., France, Switzerland, Italy and Singapore targeting innovation in equipment and digital solutions;
-

four Customer Application Centers in China, India, Singapore and Taipei;

- 41 Package Design and Applications Centers for Product Care globally.

Patents and Trademarks

We own or are the licensee of approximately 2,700 U.S. and foreign patents and patent applications, and approximately 3,100 U.S. and foreign trademark registrations and trademark applications that relate to many of our products, manufacturing processes and equipment. We believe that our patents and trademarks collectively provide a competitive advantage. We file annually an average of approximately 200 U.S. and foreign patent applications and approximately 35 U.S. and foreign trademark applications. None of our reportable segments is dependent upon any single patent or trademark alone. Rather, we believe that our success depends primarily on our sales and service, marketing, engineering and manufacturing skills and on our ongoing research and development efforts. We believe that the expiration or unenforceability of any of our patents, applications, licenses or trademark registrations would not be material to our business or consolidated financial condition.

Environmental, Health and Safety Matters

As a manufacturer, we are subject to various laws, rules and regulations in the countries/regions, jurisdictions and localities in which we operate. These cover: the safe storage and use of raw materials and production chemicals; the release of materials into the environment; standards for the treatment, storage and disposal of solid and hazardous wastes; or otherwise relate to the protection of the environment. We review environmental, health and safety laws and regulations pertaining to our operations and believe that compliance with current environmental and workplace health and safety laws and regulations has not had a material effect on our capital expenditures or consolidated financial condition.

In some jurisdictions in which our packaging products are sold or used, laws and regulations have been adopted or proposed that seek to regulate, among other things, minimum levels of recycled or reprocessed content and, more generally, the sale or disposal of packaging materials. We maintain programs designed to comply with these laws and regulations and to monitor their evolution. Various federal, state, local and foreign laws and regulations regulate some of our products and require us to register certain products and comply with specified requirements. We are also subject to various federal, state, local and foreign laws and regulations that regulate products manufactured and sold by us for controlling microbial growth on humans, animals and processed foods. In the U.S., these requirements are generally administered by the U.S. Food and Drug Administration (“FDA”). To date, the cost of complying with product registration requirements and FDA compliance has not had a material adverse effect on our business, consolidated financial condition, results of operations or cash flows.

Our emphasis on environmental, health and safety compliance provides us with risk reduction opportunities and cost savings through asset protection and protection of employees.

Sustainability

As a leader in high-performance packaging innovation, we are committed to continually improving the environmental sustainability of our products. This commitment has already delivered positive environmental impacts for us and our customers, cutting resource use and waste, and differentiating us from competitors. We are investing in the use of recycled and renewable materials, expanding reuse models for our packaging, and leading collaboration with partners worldwide on our sustainability efforts.

For more information on our sustainability commitments, including our operational efficiency goals and performance, please see the Sustainability section of our website.

Employees

As of December 31, 2018, we had approximately 15,500 employees worldwide. Approximately 6,000 of these employees were in the U.S., with approximately 100 of these employees covered by collective bargaining agreements. Of the approximately 9,500 employees who were outside the U.S., approximately 5,200 were covered by collective bargaining agreements. Collective bargaining agreements related to 20% of our employees, primarily outside the U.S., will expire within the next year and we will be engaged in negotiations to attain new agreements. Many of the covered employees are represented by works councils or industrial boards, as is customary in the jurisdictions in which they are employed. We believe that our employee relations are satisfactory.

Available Information

Our Internet address is www.sealedair.com. We make available, free of charge, on or through our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports that we file or furnish pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, as soon as reasonably practicable after we electronically file these materials with, or furnish them to, the Securities and Exchange Commission. The information contained on, or that may be accessed through, our website is not incorporated by reference into, and is not a part of, this Form 10-K.

Item 1A. Risk Factors

Introduction

The risks described below should be carefully considered before making an investment decision. These are the most significant risk factors, but they are not the only risk factors that should be considered in making an investment decision. This Form 10-K also contains and may incorporate by reference forward-looking statements that involve risks and uncertainties. See the "Cautionary Notice Regarding Forward-Looking Statements," in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K. Our business, consolidated financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and investors in our securities may lose all or part of their investment.

Uncertain global economic conditions have had and could continue to have an adverse effect on our consolidated financial condition and results of operations.

Uncertain global economic conditions have had and may continue to have an adverse impact on our business in the form of lower net sales due to weakened demand, unfavorable changes in product price/mix, or lower profit margins. For example, global economic downturns have adversely impacted some of our end-users and customers, such as food processors, distributors, supermarket retailers, hotels, restaurants, retail establishments, other retailers, business service contractors and e-commerce and mail order fulfillment firms, and other end-users that are particularly sensitive to business and consumer spending.

During economic downturns or recessions, there can be a heightened competition for sales and increased pressure to reduce selling prices as our customers may reduce their volume of purchases from us. If we lose significant sales volume or reduce selling prices significantly, then there could be a negative impact on our consolidated financial condition or results of operations, profitability and cash flows.

Also, reduced availability of credit may adversely affect the ability of some of our customers and suppliers to obtain funds for operations and capital expenditures. This could negatively impact our ability to obtain necessary supplies as well as our sales of materials and equipment to affected customers. This also could result in reduced or delayed collections of outstanding accounts receivable.

The global nature of our operations exposes us to numerous risks that could materially adversely affect our consolidated financial condition and results of operations.

We operate in 48 countries/regions, and our products are distributed to 123 countries/regions around the world. A large portion of our manufacturing operations are located outside of the U.S. and a majority of our net sales are generated outside of the U.S. These operations, particularly in developing regions, are subject to various risks that may not be present or as significant for our U.S. operations. Economic uncertainty in some of the geographic regions in which we operate, including developing regions, could result in the disruption of commerce and negatively impact cash flows from our operations in those areas.

Risks inherent in our international operations include:

- foreign currency exchange controls and tax rates;
- foreign currency exchange rate fluctuations, including devaluations;
- the potential for changes in regional and local economic conditions, including local inflationary pressures or impacts resulting from the United Kingdom's exit from the European Union;
- restrictive governmental actions such as those on transfer or repatriation of funds and trade protection matters, including antidumping duties, tariffs, embargoes and prohibitions or restrictions on acquisitions or joint ventures;
- changes in laws and regulations, including the laws and policies of the U.S. affecting trade and foreign investment;
- the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;
- variations in protection of intellectual property and other legal rights;

- more expansive legal rights of foreign unions or works councils;
- changes in labor conditions and difficulties in staffing and managing international operations;
- import and export delays caused, for example, by an extended strike at the port of entry, could cause a delay in our supply chain operations;
- social plans that prohibit or increase the cost of certain restructuring actions;
- the potential for nationalization of enterprises or facilities;
- unsettled political conditions and possible terrorist attacks against U.S. or other interests; and
- there are potential tax inefficiencies and tax costs in repatriating funds from our non-U.S. subsidiaries.

These and other factors may have a material adverse effect on our international operations and, consequently, on our consolidated financial condition or results of operations.

Fluctuations between foreign currencies and the U.S. dollar could materially impact our consolidated financial condition or results of operations.

Approximately 49% of our net sales in 2018 were generated outside the U.S. We translate sales and other results denominated in foreign currency into U.S. dollars for our Consolidated Financial Statements. As a result, the Company is exposed to currency fluctuations both in receiving cash from its international operations and in translating its financial results back to U.S. dollars. During periods of a strengthening U.S. dollar, our reported international sales and net earnings could be reduced because foreign currencies may translate into fewer U.S. dollars. Foreign exchange rates can also impact the competitiveness of products produced in certain jurisdictions and exported for sale into other jurisdictions. These changes may impact the value received for the sale of our goods versus those of our competitors. The Company cannot predict the effects of exchange rate fluctuations on its future operating results. As exchange rates vary, the Company's results of operations and profitability may be harmed. While we use financial instruments to hedge certain foreign currency exposures, this does not insulate us completely from foreign currency effects and exposes us to counterparty credit risk for non-performance. See Note 13, “Derivatives and Hedging Activities” of the Notes to Consolidated Financial Statements. Such hedging activities may be ineffective or may not offset more than a portion of the adverse financial effect resulting from foreign currency variations. The gains or losses associated with hedging activities may harm the Company's results of operations.

In all jurisdictions in which we operate, we are also subject to laws and regulations that govern foreign investment, foreign trade and currency exchange transactions. These laws and regulations may limit our ability to repatriate cash as dividends or otherwise to the U.S. and may limit our ability to convert foreign currency cash flows into U.S. dollars.

We have recognized foreign exchange gains and losses related to the currency devaluations in Argentina and Venezuela and its designation as a highly inflationary economy under U.S. GAAP. See Note 2, “Summary of Significant Accounting Policies and Recently Issued Accounting Standards” of the Notes to Consolidated Financial Statements.

Raw material pricing, availability and allocation by suppliers as well as energy-related costs may negatively impact our results of operations, including our profit margins.

We use petrochemical-based raw materials to manufacture many of our products. The prices for these raw materials are cyclical, and increases in market demand or fluctuations in the global trade for petrochemical- based raw materials and energy could increase our costs. While, historically we have been able to successfully manage the impact of higher raw material costs by increasing our selling prices, if we are unable to minimize the effects of increased raw material costs through sourcing, pricing or other actions, our business, consolidated financial condition or results of operations may be materially adversely affected. We also have some sole-source suppliers, and the lack of availability of supplies could have a material adverse effect on our consolidated financial condition or results of operations.

Natural disasters such as hurricanes, as well as political instability and terrorist activities, may negatively impact the production or delivery capabilities of refineries and natural gas and petrochemical suppliers and suppliers of other raw materials in the future. These factors could lead to increased prices for our raw materials, curtailment of supplies and allocation of raw materials by our suppliers, which could reduce revenues and profit margins and harm relations with our customers and which could have a material adverse effect on our consolidated financial condition or results of operations.

Unfavorable customer responses to price increases could have a material adverse impact on our sales and earnings.

From time to time, and especially in periods of rising raw material costs, we increase the prices of our products. Significant price increases could impact our earnings depending on, among other factors, the pricing by competitors of similar products and the response by the customers to higher prices. Such price increases may result in lower volume of sales and a subsequent decrease in gross margin and adversely impact earnings.

We may not achieve all of the expected benefits from our restructuring program.

We have implemented a number of restructuring programs, including various cost savings and reorganization initiatives. Most recently the Company announced a restructuring program as part of its Reinvent SEE strategy. We have made certain assumptions in estimating the anticipated savings we expect to achieve under such programs, which include the estimated savings from the elimination of certain headcount and the consolidation of facilities. We have also made assumptions on the expected cash spend to achieve the anticipated savings. These assumptions may turn out to be incorrect due to a variety of factors. In addition, our ability to realize the expected benefits from these programs is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. If we are unsuccessful in implementing these programs or if we do not achieve our expected results, our consolidated results of operations and cash flows could be adversely affected or our business operations could be disrupted.

Demand for our products could be adversely affected by changes in consumer preferences.

Our sales depend heavily on the volumes of sales by our customers in the food processing and food service industries. Consumer preferences for food and packaging formats of prepackaged food can influence our sales, as can consumer preferences for fresh and unpackaged foods. Changes in consumer behavior, including changes in consumer preferences driven by various health-related concerns and perceptions, could negatively impact demand for our products.

The consolidation of customers may adversely affect our business, consolidated financial condition or results of operations.

Customers in the food service, food and beverage processing sectors have been consolidating in recent years, and we believe this trend may continue. Such consolidation could have an adverse impact on the pricing of our products and services and our ability to retain customers, which could in turn adversely affect our business, consolidated financial condition or results of operations.

We experience competition in the markets for our products and services and in the geographic areas in which we operate.

Our packaging products compete with similar products made by other manufacturers and with a number of other types of materials or products. We compete on the basis of performance characteristics of our products, as well as service, price and innovations in technology. A number of competing domestic and foreign companies are well-established. Our inability to maintain a competitive advantage could result in lower prices or lower sales volumes for our products. Additionally, we may not successfully implement our pricing actions. These factors may have an adverse impact on our consolidated financial condition or results of operations.

We are subject to a variety of environmental and product registration laws that expose us to regulatory scrutiny, potential financial liability and increased operating costs.

Our operations are subject to a number of federal, state, local and foreign environmental, health and safety laws and regulations that govern, among other things, the manufacture of our products, the discharge of pollutants into the air, soil and water and the use, handling, transportation, storage and disposal of hazardous materials.

Many jurisdictions require us to have operating permits for our production and warehouse facilities and operations. Any failure to obtain, maintain or comply with the terms of these permits could result in fines or penalties, revocation or nonrenewal of our permits, or orders to cease certain operations, and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

We generate, use and dispose of hazardous materials in our manufacturing processes. In the event our operations result in the release of hazardous materials into the environment, we may become responsible for the costs associated with the investigation and remediation of sites at which we have released pollutants, or sites where we have disposed or arranged for the

disposal of hazardous wastes, even if we fully complied with environmental laws at the time of disposal. We have been, and may continue to be, responsible for the cost of remediation at some locations.

Some jurisdictions have laws and regulations that govern the registration and labeling of some of our products. We expect significant future environmental compliance obligations in our European operations as a result of a European Union ("EU") Directive "Registration, Evaluation, Authorization, and Restriction of Chemicals" (EU Directive No. 2006/1907) enacted on December 18, 2006. The directive imposes several requirements related to the identification and management of risks related to chemical substances manufactured or marketed in Europe. The EU has also enacted a "Classification, Packaging and Labeling" regulation. Other jurisdictions may impose similar requirements.

Ongoing development of government policies to restrict waste imports, to ban single use plastics and to increase recycling and recovery such as those recently announced in the EU and China highlight a variety of financial liability and increased operating cost exposures. We are also subject to various federal, state, local and foreign laws and regulations that regulate products manufactured and sold by us for controlling microbial growth on humans, animals and processed foods. In the U.S., these requirements are generally administered by the U.S. Food and Drug Administration ("FDA"). We maintain programs designed to comply with these laws and regulations and to monitor their evolution. To date, the cost of complying with product registration requirements and FDA compliance has not had a material adverse effect on our business, consolidated financial condition, results of operations or cash flows.

We cannot predict with reasonable certainty the future cost to us of environmental compliance, product registration, or environmental remediation. Environmental laws have become more stringent and complex over time. Our environmental costs and operating expenses will be subject to evolving regulatory requirements and will depend on the scope and timing of the effectiveness of requirements in these various jurisdictions. As a result of such requirements, we may be subject to an increased regulatory burden, and we expect significant future environmental compliance obligations in our operations. Increased compliance costs, increasing risks and penalties associated with violations, or our inability to market some of our products in certain jurisdictions may have a material adverse effect on our business, consolidated financial condition or results of operations.

Our performance and prospects for future growth could be adversely affected if new products do not meet sales or margin expectations.

Our competitive advantage is due in part to our ability to develop and introduce new products in a timely manner at favorable margins. The development and introduction cycle of new products can be lengthy and involve high levels of investment. New products may not meet sales or margin expectations due to many factors, including our inability to (i) accurately predict demand, end-user preferences and evolving industry and regulatory standards; (ii) resolve technical and technological challenges in a timely and cost-effective manner; or (iii) achieve manufacturing efficiencies.

Cyber risk and the failure to maintain the integrity of our operational or security systems or infrastructure, or those of third parties with which we do business, could have a material adverse effect on our business, consolidated financial condition and results of operations.

We are subject to an increasing number of information technology vulnerabilities, threats and targeted computer crimes which pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of our networks or systems, could result in the loss of customers and business opportunities, legal liability, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensatory costs, and additional compliance costs, any of which could materially adversely affect our business, consolidated financial condition and results of operations. While we attempt to mitigate these risks, our systems, networks, products, solutions and services remain potentially vulnerable to advanced and persistent threats.

We also maintain and have access to sensitive, confidential or personal data or information in certain of our businesses that is subject to privacy and security laws, regulations and customer controls. Despite our efforts to protect such sensitive, confidential or personal data or information, our facilities and systems and those of our customers and third-party service providers may be vulnerable to security breaches, theft, misplaced or lost data, programming and/or human errors that could lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions, which in turn could adversely affect our business, consolidated financial condition and results of operations.

We may not be able to complete future acquisitions or acquired businesses may underperform relative to our expectations. Furthermore, we may not be able to successfully integrate these businesses without significant use of resources or diversion of management's attention.
Successful acquisition and integration of target companies may be limited by the availability of suitable acquisition candidates, the ability to obtain necessary third-party approvals and availability of financial resources. Acquisitions involve numerous risks, including difficulty determining valuation, integration of acquired operations, technologies, services and products, key personnel turnover, and the diversion of management's attention from other business matters. Ultimately, we may be unable to achieve the expected benefits and synergies which could adversely affect our business.
Disruptive forces of nature, such as significant regional droughts, prolonged severe weather conditions, floods, natural disasters and large-scale animal health issues as well as other health issues affecting the food industry may lead to decreased revenues.
We manufacture and sell food packaging products, among other products. Various forces of nature affecting the food industry have in the past and may in the future have a negative effect on the sales of food packaging products. Outbreaks of animal diseases may lead governments to restrict exports and imports of potentially affected animals and food products, leading to decreased demand for our products and possibly also to the culling or slaughter of significant numbers of the animal population otherwise intended for food supply. Other disruptive forces of nature such as droughts, floods and other severe weather can lead to agricultural market impacts resulting in reduced herd size or modifications to the traditional herd cycles which could affect demand for our products. Also, consumers may change their eating habits as a result of perceived problems with certain types of food. These factors may lead to reduced sales of food packaging products, which could have a material adverse effect on our consolidated financial condition or results of operations.
Product liability claims or regulatory actions could adversely affect our financial results or harm our reputation or the value of our brands.
Claims for losses or injuries purportedly caused by some of our products arise in the ordinary course of our business. In addition to the risk of substantial monetary judgments, product liability claims or regulatory actions could result in negative publicity that could harm our reputation in the marketplace or adversely impact the value of our brands or our ability to sell our products in certain jurisdictions. We could also be required to recall possibly defective products, or voluntarily do so, which could result in adverse publicity and significant expenses. Although we maintain product liability insurance coverage, potential product liabilities claims could be excluded or exceed coverage limits under the terms of our insurance policies or could result in increased costs for such coverage.
Changes in U.S. trade policies and regulations, as well as the overall uncertainty surrounding international trade relations, could materially adversely affect our consolidated financial condition and results of operations.
Recent changes in U.S. trade policies, including tariffs on imports from China generally, have had, and we expect that they will continue to have, an adverse effect on our costs of products sold and margins in our North America segment. In November 2018, the United States-Mexico-Canada Agreement (USMCA), which is intended to replace the North American Free Trade Agreement (NAFTA), was signed but has not yet been ratified. There remains uncertainty regarding when the USMCA would be adopted as well as the specific impacts of the final agreement. Further changes in U.S. trade policies may be put into place, including additional import tariffs and tariffs on raw materials imported from Canada and Mexico, if the replacement trade agreement reached by the three countries is not ratified. Additional tariffs and changes to the U.S. trade policies would likely adversely impact our business. In response to these changes, other countries may change their own trade policies, including the imposition of additional tariffs and quotas, which could also adversely affect our business outside the U.S.
In order to mitigate the impact of these trade-related increases on our costs of products sold, we may increase prices in certain markets and, over the longer term, make changes in our supply chain and, potentially, our U.S. manufacturing strategy. Implementing price increases may cause our customers to find alternative sources for their products. We may be unable to successfully pass on these costs through price increases; adjust our supply chain without incurring significant costs; or locate alternative suppliers for raw materials or finished goods at acceptable costs or in a timely manner. Further, the uncertainty surrounding U.S. trade policy makes it difficult to make long-term strategic decisions

regarding the best way to respond to these pressures and could also increase the volatility of currency exchange rates. Our inability to effectively manage the negative impacts of changing U.S. and foreign trade policies could materially adversely impact our consolidated financial condition and results of operations.

Political and economic instability and risk of government actions affecting our business and our customers or suppliers may adversely impact our business, results of operations and cash flows.

We are exposed to risks inherent in doing business in each of the countries/regions or regions in which we or our customers or suppliers operate including: civil unrest, acts of terrorism, sabotage, epidemics, force majeure, war or other armed conflict and related government actions, including sanctions/embargoes, the deprivation of contract rights, the inability to obtain or retain licenses required by us to operate our plants or import or export our goods or raw materials, the expropriation or nationalization of our assets, and restrictions on travel, payments or the movement of funds. In particular, if additional restrictions on trade with Russia were adopted by the European Union or the U.S., and were applicable to our products, we could lose sales and experience lower growth rates in the future.

A major loss of or disruption in our manufacturing and distribution operations or our information systems and telecommunication resources could adversely affect our business, consolidated financial condition or results of operations.

If we experienced a natural disaster, such as a hurricane, tornado, earthquake or other severe weather event, or a casualty loss from an event such as a fire or flood, at one of our larger strategic facilities or if such event affected a key supplier, our supply chain or our information systems and telecommunication resources, then there could be a material adverse effect on our consolidated financial condition or results of operations. We are dependent on internal and third-party information technology networks and systems, including the Internet, to process, transmit and store electronic information. In particular, we depend on our information technology infrastructure for fulfilling and invoicing customer orders, applying cash receipts, and placing purchase orders with suppliers, making cash disbursements, and conducting digital marketing activities, data processing and electronic communications among business locations.

We also depend on telecommunication systems for communications between company personnel and our customers and suppliers. Future system disruptions, security breaches or shutdowns could significantly disrupt our operations or result in lost or misappropriated information and may have a material adverse effect on our business, consolidated financial condition or results of operations.

If we are unable to retain key employees and other personnel, our consolidated financial condition or results of operations may be adversely affected.

Our success depends largely on the efforts and abilities of our management team and other key personnel. Their experience and industry contacts significantly benefit us, and we need their expertise to execute our business strategies. If any of our senior management or other key personnel cease to work for us and we are unable to successfully replace any departing senior management or key personnel, our business, consolidated financial condition or results of operations may be materially adversely affected.

We could experience disruptions in operations and/or increased labor costs.

In Europe and Latin America, most of our employees are represented by either labor unions or workers' councils and are covered by collective bargaining agreements that are generally renewable on an annual basis. As is the case with any negotiation, we may not be able to negotiate acceptable new collective bargaining agreements, which could result in strikes or work stoppages by affected workers. Renewal of collective bargaining agreements could also result in higher wages or benefits paid to union members. A disruption in operations or higher ongoing labor costs could materially affect our business.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on time or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to affect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreement governing the senior secured credit facilities, the indentures that govern our senior notes and the agreements covering our accounts receivable securitization programs restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct a substantial portion of our operations through our subsidiaries, certain of which are not guarantors of our indebtedness. Accordingly, repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of our indebtedness, our subsidiaries do not have any obligation to pay amounts due on indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. The indenture governing certain of our senior notes and the credit agreement governing the senior secured credit facilities limit the ability of certain of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us. These limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.

If we cannot make scheduled payments on our debt, we will be in default, the lenders under the senior secured credit facilities could terminate their commitments to loan money, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.

The terms of our credit agreement governing our senior secured credit facilities, our accounts receivable securitization programs and the indentures governing our senior notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The indentures governing our senior notes and the credit agreement governing our senior secured credit facilities and accounts receivable securitization programs contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness;
- pay dividends or make other distributions or repurchase or redeem capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries’ ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

In addition, the restrictive covenants in the credit agreement governing our senior credit facilities require us to maintain a specified net leverage ratio. Our ability to meet this financial ratio can be affected by events beyond our control.

A breach of the covenants under the indenture governing our senior notes or under the credit agreement governing our senior secured credit facilities could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the credit agreement governing our senior secured credit facilities would permit the lenders under our senior secured credit facilities to terminate all commitments to extend further credit under those facilities. Furthermore, if we were unable to repay the amounts due and payable under our senior secured credit facilities, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders or note holders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:

- limited in how we conduct our business;

- unable to respond to changing market conditions;
- unable to raise additional debt or equity financing to operate during general economic or business downturns or to repay other indebtedness when it becomes due; or
- unable to compete effectively or to take advantage of new business opportunities.

In addition, amounts available under our accounts receivable securitization programs can be impacted by a number of factors, including but not limited to our credit ratings, accounts receivable balances, the creditworthiness of our customers and our receivables collection experience.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our senior secured credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. As of December 31, 2018, we had $224 million of long-term borrowings under our senior secured credit facilities at variable interest rates. A 1/8% increase or decrease in the assumed interest rates on the senior secured credit facilities would result in a $0.3 million increase or decrease in annual interest expense. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

The full realization of our deferred tax assets may be affected by a number of factors, including our earnings in the U.S.

We have deferred tax assets including state and foreign net operating loss carryforwards, accruals not yet deductible for tax purposes, employee benefit items and other items. We have established valuation allowances to reduce the deferred tax assets to an amount that is more likely than not to be realized. Our ability to utilize the deferred tax assets depends in part upon our ability to generate future taxable income within each respective jurisdiction during the periods in which these temporary differences reverse or our ability to carryback any losses created by the deduction of these temporary differences. We expect to realize the assets over an extended period. If we are unable to generate sufficient future taxable income in the U.S. and/or certain foreign jurisdictions, or if there is a significant change in the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowances against our deferred tax assets. Our effective tax rate would increase if we were required to increase our valuation allowances against our deferred tax assets.

Although the Settlement agreement (as defined in Note 18, “Commitments and Contingencies”) has been implemented and we have been released from the various asbestos-related, fraudulent transfer, successor liability, and indemnification claims made against us arising from a 1998 transaction with Grace (as defined below), if the courts were to refuse to enforce the injunctions or releases contained in the Plan (as defined below) and the Settlement agreement with respect to any claims and if Grace were unwilling or unable to defend and indemnify us for such claims, then we could be required to pay substantial damages, which could have a material adverse effect on our consolidated financial condition and results of operations. We were also a defendant in a number of asbestos-related actions in Canada arising from Grace’s activities in Canada prior to the 1998 transaction.

On March 31, 1998, we completed a multi-step transaction (the “Cryovac transaction”) involving W.R. Grace & Co. (“Grace”) which brought the Cryovac packaging business and the former Sealed Air’s business under the common ownership of the Company. As part of that transaction, Grace and its subsidiaries retained all liabilities arising out of their operations before the Cryovac transaction (including asbestos-related liabilities), other than liabilities relating to Cryovac’s operations, and agreed to indemnify the Company with respect to such retained liabilities. Beginning in 2000, we were served with a number of lawsuits alleging that the Cryovac transaction was a fraudulent transfer or gave rise to successor liability or both, and as a result we were responsible for alleged asbestos liabilities of Grace and its subsidiaries. On April 2, 2001, Grace and a number of its subsidiaries filed petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). In connection with Grace’s Chapter 11 case, the Bankruptcy Court issued orders staying all asbestos actions against the Company (the “Preliminary Injunction”) but granted the official committees appointed to represent asbestos claimants in Grace’s Chapter 11 case (the “Committees”) permission to pursue fraudulent transfer, successor liability, and other claims against the Company and its subsidiary Cryovac, Inc. based upon the Cryovac transaction.

On November 27, 2002, we reached an agreement in principle with the Committees to resolve all current and future asbestos-related claims made against us and our affiliates, as well as indemnification claims by Fresenius Medical Care Holdings, Inc. and affiliated companies, in each case, in connection with the Cryovac transaction. A definitive Settlement agreement was entered into as of November 10, 2003 consistent with the terms of the agreement in principle. On June 27, 2005, the Bankruptcy Court approved the Settlement agreement.

Subsequently, the Bankruptcy Court issued a Confirmation Order confirming Grace's plan or reorganization (as filed and amended from time to time, the "Plan") and the District Court issued a similar Confirmation Order. On February 3, 2014 (the “Effective Date”), in accordance with the Plan, Grace emerged from bankruptcy. In accordance with the Plan and the Settlement agreement, on the Effective Date, Cryovac, Inc. made aggregate cash payments in the amount of $929.7 million to the WRG Asbestos PI Trust (the “PI Trust”) and the WRG Asbestos PD Trust (the “PD Trust”) and transferred 18 million shares of Sealed Air common stock to the PI Trust. Among other things, the Plan incorporated and implemented the Settlement agreement and provided for the establishment of two asbestos trusts under Section 524(g) of the U.S. Bankruptcy Code to which present and future asbestos-related personal injury and property damage claims are channeled. The Plan also provided injunctions and releases with respect to asbestos claims and certain other claims for our benefit. In addition, under the Plan and the Settlement agreement, Grace is required to indemnify us with respect to asbestos and certain other liabilities. The Bankruptcy Court entered orders overruling all objections and confirming the Plan on January 31, 2011 and February 15, 2011 (collectively, the “Bankruptcy Court Confirmation Order”). On January 30, 2012 and June 11, 2012, the District Court entered orders (collectively with the Bankruptcy Court Confirmation Orders, the “Confirmation Orders”) overruling all objections to the Plan and confirming the Plan in its entirety, including the approval and issuance of the injunctions, releases, and indemnifications set forth in the Plan and the Bankruptcy Court Confirmation Order. Five appeals to the Confirmation Orders were filed with the United States Court of Appeals for the Third Circuit (the “Third Circuit Court of Appeals”). The Third Circuit Court of Appeals dismissed or denied the appeals in separate opinions, with the final dismissal occurring on February 3, 2014 (the “Effective Date”).

Following the Effective Date, the Bankruptcy Court issued an order dismissing the proceedings pursuant to which the Preliminary Injunction was issued. Notwithstanding the foregoing, and although we believe the possibility to be remote, if any courts were to refuse to enforce the injunctions or releases contained in the Plan and the Settlement agreement with respect to any claims, and if, in addition, Grace were unwilling or unable to defend and indemnify us for such claims, then we could be required to pay substantial damages, which could have a material adverse effect on our consolidated financial condition and results of operations.

From November 2004, the Company and specified subsidiaries were named as defendants in a number of cases, including a number of putative class actions, brought in Canada as a result of Grace’s alleged marketing, manufacturing or distributing of asbestos or asbestos containing products in Canada prior to the Cryovac transaction in 1998. Grace agreed to defend and indemnify us and our subsidiaries in these cases. A global settlement of these Canadian claims to be funded by Grace was approved by the Canadian court, and the Plan provides for payment of these claims. We have no positive obligations under the Canadian settlement, but we are a beneficiary of the release of claims. The release in favor of the Grace parties (including us) became operative upon the effective date of a plan of reorganization in Grace’s U.S. Chapter 11 bankruptcy proceeding. The Plan contemplates that the claims released under the Canadian settlement will be subject to injunctions under Section 524(g) of the Bankruptcy Code. The Canadian court issued an Order on April 8, 2011 recognizing and giving full effect to the Bankruptcy Court’s Confirmation Order in all provinces and territories of Canada. These and other Canadian actions were dismissed or discontinued with prejudice. Notwithstanding the foregoing, and although we believe the possibility to be remote, if the Canadian courts refuse to enforce the final plan of reorganization in the Canadian courts, and if in addition Grace is unwilling or unable to defend and indemnify us and our subsidiaries in these cases, then we could be required to pay damages, which we cannot estimate at this time. For further information concerning these matters, see Note 18, “Commitments and Contingencies” of the Notes to Consolidated Financial Statements.

The U.S. Internal Revenue Service (the “IRS”) has indicated that it intends to disallow our deduction of the approximately $1.49 billion for the payments made pursuant to the Settlement agreement (as defined in Note 18, “Commitments and Contingencies”).

We are currently under examination by the IRS with respect to the deduction of the approximately $1.49 billion for the 2014 taxable year for the payments made pursuant to the Settlement agreement. The IRS has indicated that it intends to disallow this deduction in full. We strongly disagree with the IRS position and are protesting this finding with the IRS. The resolution of the IRS's challenge could take several years and the outcome cannot be predicted. Nevertheless, we believe that we have meritorious defenses for the deduction of the payments made pursuant to the Settlement agreement. If the IRS's disallowance of the deduction were sustained, in whole or in part, we would have to remit all or a portion of the benefit received associated with the Settlement agreement deduction which in turn, could have a material adverse effect on our consolidated financial condition and results of operations. For further information concerning this matter, see Note 18, “Commitments and Contingencies,” of the Notes to Consolidated Financial Statements.

Disruption and volatility of the financial and credit markets could affect our external liquidity sources.

Our principal sources of liquidity are accumulated cash and cash equivalents, short-term investments, cash flow from operations and amounts available under our lines of credit, including our senior secured credit facilities and our accounts receivable securitization programs. We may be unable to refinance any of our indebtedness, including our senior notes, our accounts receivable securitization programs and our senior secured credit facilities, on commercially reasonable terms or at all.

Additionally, conditions in financial markets could affect financial institutions with which we have relationships and could result in adverse effects on our ability to utilize fully our committed borrowing facilities. For example, a lender under the senior secured credit facilities may be unwilling or unable to fund a borrowing request, and we may not be able to replace such lender.

Our annual effective income tax rate can change materially as a result of changes in our geographic mix of U.S. and foreign earnings and other factors, including changes in tax laws and changes made by regulatory authorities.

Our overall effective income tax rate is equal to our total tax expense as a percentage of total earnings before tax. However, income tax expense and benefits are not recognized on a global basis but rather on a jurisdictional or legal entity basis. Losses in one jurisdiction may not be used to offset profits in other jurisdictions and may cause an increase in our tax rate. Changes in the mix of earnings (or losses) between jurisdictions and assumptions used in the calculation of income taxes, among other factors, could have a significant effect on our overall effective income tax rate.

We are subject to taxation in multiple jurisdictions. As a result, any adverse development in the tax laws of any of these jurisdictions or any disagreement with our tax positions could have a material adverse effect on our business, consolidated financial condition or results of operations.

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In 2017 the United States enacted significant tax reform, (the Tax Cuts and Jobs Act or "TCJA") and certain provisions or interpretations of the new law may adversely affect us. For example, the one-time mandatory tax on previously deferred foreign earnings of foreign subsidiaries, or “Transition Tax”, involved complex calculations and had a material impact on our financial results in 2018. Many countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws that, if enacted, could increase our tax obligations in countries where we do business. Additional changes in tax laws could increase our overall taxes and our business, consolidated financial condition or results of operations could be adversely affected in a material way. The tax authorities in any applicable jurisdiction, including the U.S., may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions. If any applicable tax authorities, including U.S. tax authorities, were to successfully challenge the tax treatment or characterization of any of our transactions, it could have a material adverse effect on our business, consolidated financial condition or results of our operations.

Concerns about greenhouse gas (“GHG”) emissions and climate change and the resulting governmental and market responses to these issues could increase costs that we incur and could otherwise affect our consolidated financial condition or results of operations.

Numerous legislative and regulatory initiatives have been enacted and proposed in response to concerns about GHG emissions and climate change. We are a manufacturing entity that utilizes petrochemical-based raw materials to produce many of our products, including plastic packaging materials. Increased environmental legislation or regulation could result in higher costs for us in the form of higher raw materials, freight and energy costs. We could also incur additional compliance costs for monitoring and reporting emissions and for maintaining permits. It is also possible that certain materials might cease to be permitted to be used in our processes.

Our insurance policies may not cover all operating risks and a casualty loss beyond the limits of our coverage could materially and adversely impact our business.

Our business is subject to operating hazards and risks relating to handling, storing, transporting and use of the products we sell. We maintain insurance policies in amounts and with coverage and deductibles that we believe are reasonable and

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prudent. Nevertheless, our insurance coverage may not be adequate to protect us from all liabilities and expenses that may arise from claims for personal injury or death or property damage arising in the ordinary course of business, and our current levels of insurance may not be maintained or available in the future at economical prices. If a significant liability claim is brought against us that are not adequately covered by insurance, we may have to pay the claim with our own funds, which could have a material adverse effect on our business, consolidated financial condition or results of operations.

If we are not able to protect our trade secrets or maintain our trademarks, patents and other intellectual property, we may not be able to prevent competitors from developing similar products or from marketing their products in a manner that capitalizes on our trademarks, and this loss of a competitive advantage could decrease our profitability and liquidity.

Our ability to compete effectively with other companies depends, in part, on our ability to maintain the proprietary nature of our owned and licensed intellectual property. If we were unable to maintain the proprietary nature of our intellectual property and our significant current or future products, the resulting loss of associated competitive advantage could lead to decreased sales or increased operating costs, either of which could have a material adverse effect on our business, consolidated financial condition or results of operations.

We rely on trade secrets to maintain our competitive position, including protecting the formulation and manufacturing techniques of many of our products. As such, we have not sought U.S. or international patent protection for some of our principal product formulas and manufacturing processes. Accordingly, we may not be able to prevent others from developing products that are similar to or competitive with our products.

We own a large number of patents and pending patent applications on our products, aspects thereof, methods of use and/or methods of manufacturing. There is a risk that our patents may not provide meaningful protection and patents may never be issued for our pending patent applications.

We own, or have licenses to use, all of the material trademark and trade name rights used in connection with the packaging, marketing and distribution of our major products both in the U.S. and in other countries/regions where our products are principally sold. Trademark and trade name protection is important to our business. Although most of our trademarks are registered in the U.S. and in the foreign countries/regions in which we operate, we may not be successful in asserting trademark or trade name protection. In addition, the laws of some foreign countries/regions may not protect our intellectual property rights to the same extent as the laws of the U.S. The costs required to protect our trademarks and trade names may be substantial.

We cannot be certain that we will be able to assert these intellectual property rights successfully in the future or that they will not be invalidated, circumvented or challenged. Other parties may infringe on our intellectual property rights and may thereby dilute the value of our intellectual property in the marketplace. Third parties, including competitors, may assert intellectual property infringement or invalidity claims against us that could be upheld. Intellectual property litigation, which could result in substantial cost to and diversion of effort by us, may be necessary to protect our trade secrets or proprietary technology or for us to defend against claimed infringement of the rights of others and to determine the scope and validity of others' proprietary rights. We may not prevail in any such litigation, and if we are unsuccessful, we may not be able to obtain any necessary licenses on reasonable terms or at all.

Any failure by us to protect our trademarks and other intellectual property rights may have a material adverse effect on our business, consolidated financial condition or results of operations.

As a result of acquisitions, we may record a significant amount of goodwill and other identifiable intangible assets and we may never realize the full carrying value of the related assets.

As a result of acquisitions, we may record a significant amount of goodwill and other identifiable intangible assets, including customer relationships, trademarks and developed technologies.

We test goodwill and intangible assets with indefinite useful lives for possible impairment annually during the fourth quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the asset might be impaired. Amortizable intangible assets are periodically reviewed for possible impairment whenever there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment may result from, among other things, (i) a decrease in our expected net earnings; (ii) adverse equity market conditions; (iii) a decline in current market multiples; (iv) a decline in our common stock price; (v) a significant adverse change in legal factors or business climates; (vi) an adverse action or assessment by a regulator; (vii) heightened competition; (viii) strategic decisions made in response to economic or competitive conditions; or (ix) a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed of. In the event that we determine that events or circumstances exist that indicate that the carrying value of goodwill or identifiable intangible assets may no longer be recoverable, we might have to recognize a non-cash impairment of goodwill or other identifiable intangible assets, which could have a material adverse effect on our consolidated financial condition or results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We manufacture products in 100 facilities, with 15 of those facilities serving more than one of our business segments. The following table shows our manufacturing facilities by geographic region and our business segment reporting structure:

Geographic Region	Number of Manufacturing Facilities	Food Care Manufacturing Facilities	Product Care Manufacturing Facilities
North America	38	8	33
Europe, Middle East and Africa ("EMEA")	26	12	20
Latin America	10	8	3
Asia, Australia and New Zealand ("APAC")	26	9	22
Total	100	37	78

Other Property Information

We own the large majority of our manufacturing facilities. Some of these facilities are subject to secured or other financing arrangements. We lease the balance of our manufacturing facilities, which are generally smaller sites. Our manufacturing facilities are usually located in general purpose buildings that house our specialized machinery for the manufacture of one or more products. Because of the relatively low density of our air cellular, polyethylene foam and protective mailer products, we realize significant freight savings by locating our manufacturing facilities for these products near our customers and distributors.

We also occupy facilities containing sales, distribution, technical, warehouse or administrative functions at a number of locations in the U.S. and in many foreign countries/regions. Some of these facilities are located on the manufacturing sites that we own and some of these are leased. Stand-alone facilities of these types are generally leased. Our global headquarters is located in an owned property in Charlotte, North Carolina. For a list of those countries/regions outside of the U.S. where we have operations, see "Global Operations" above.

We believe that our manufacturing, warehouse, office and other facilities are well maintained, suitable for their purposes and adequate for our needs.

Item 3. Legal Proceedings

The information set forth in Note 18, “Commitments and Contingencies,” of the Notes to Consolidated Financial Statements under the caption “Cryovac Transaction Commitments and Contingencies” is incorporated herein by reference.

At December 31, 2018, we were a party to, or otherwise involved in, several federal, state and foreign environmental proceedings and private environmental claims for the cleanup of “Superfund” sites under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 and other sites. We may have potential liability for investigation and cleanup of some of these sites. It is our policy to accrue for environmental cleanup costs if it is probable that a liability has been incurred and if we can reasonably estimate an amount or range of costs associated with various alternative remediation strategies, without giving effect to any possible future insurance proceeds. As assessments and cleanups proceed, we review these liabilities periodically and adjust our reserves as additional information becomes available. At December 31, 2018, environmental related reserves were not material to our consolidated financial condition or results of operations. While it is often difficult to estimate potential liabilities and the future impact of environmental matters, based upon the information currently available to us and our experience in dealing with these matters, we believe that our potential future liability with respect to these sites is not material to our consolidated financial condition or results of operations.

On June 25, 2018, the Company received from the staff of the SEC a subpoena for documents, including requests concerning the Company's accounting for income taxes, its financial reporting and disclosures and other matters. We are fully cooperating with the SEC on this matter and cannot predict the outcome or the duration of the SEC investigation.

We are also involved in various other legal actions incidental to our business. We believe, after consulting with counsel, that the disposition of these other legal proceedings and matters will not have a material effect on our consolidated financial condition or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant

The information appearing in the table below sets forth the current position or positions held by each of our executive officers, the officer's age as of January 31, 2019, the year in which the officer was first elected to the position currently held with us or with the former Sealed Air Corporation, now known as Sealed Air Corporation (US) and a wholly-owned subsidiary of the Company, and the year in which such person was first elected an officer. All of our officers serve at the pleasure of the Board of Directors.

There are no family relationships among any of our officers or directors.

Name and Current Position	Age as of January 31, 2019	First Elected to Current Position	First Elected an Officer
Edward L. Doheny II President and Chief Executive Officer	56	2018	2017
William G. Stiehl Senior Vice President and Chief Financial Officer	57	2018	2013
Emile Z. Chammas Senior Vice President	50	2010	2010
Kenneth P. Chrisman Senior Vice President	54	2014	2014
Karl R. Deily Senior Vice President	61	2006	2006
Michael A. Leon Chief Accounting Officer and Controller	38	2018	2018

Mr. Doheny joined Sealed Air as Chief Operating Officer and CEO-Designate in September 2017 and was elected a Director of Sealed Air Corporation. He became President and CEO effective January 1, 2018. Prior to joining the Company in September 2017, Mr. Doheny served as President and Chief Executive Officer and a Director of Joy Global Inc. from December 2013 through May 2017. Mr. Doheny also served as the Executive Vice President of Joy Global and President and Chief Operating Officer of its Underground Mining Machinery business from 2006 to 2013, where he had global responsibility for the company's underground mining machinery business. Prior to joining Joy Global, Mr. Doheny had a 21-year career with Ingersoll-Rand Corporation holding a series of senior executive positions of increasing responsibility, including President of Industrial Technologies from 2003 to 2005 and as President of the Air Solutions Group from 2000 to 2003.

Effective June 7, 2018, the Company appointed Mr. Stiehl as Senior Vice President and Chief Financial Officer. Prior to being named as Senior Vice President and Chief Financial Officer, Mr. Stiehl served as Acting Chief Financial Officer, Chief Accounting Officer and Controller since October 31, 2017. He was previously the Chief Accounting Officer and Controller since joining the Company in January 2013. Prior to joining the Company, Mr. Stiehl was Vice President of Finance and Controller of the Aerostructures business unit of United Technologies Corporation from July 2012 through December 2012. Mr. Stiehl worked at Goodrich Corporation from 2006 through 2012. Mr. Stiehl also served as Senior Audit Manager with Deloitte and has worked in various accounting and finance positions for over twenty-five years with increasing levels of responsibilities.

Prior to being elected as an officer in August 2014, Mr. Chrisman served in a variety of management positions with the Company, including Global Vice President of Cushioning Solutions, Vice President and General Manager of Global Specialty Foams and Vice President of Customer Equipment. Mr. Chrisman has been an employee of the Company for 29 years.

Effective June 7, 2018, the Company appointed Mr. Leon, as the Chief Accounting Officer and Controller. Prior to the appointment, he served as the Company's Assistant Corporate Controller since December 2014. Before joining the Company, Mr. Leon held various accounting and finance positions with increasing levels of responsibilities at a Big 4 public accounting firm and at several diversified global manufacturing companies, including SPX Corporation from

November 2012 to December 2014, United Technologies Corporation from July 2012 to November 2012 and Goodrich Corporation from October 2006 to July 2012. He has extensive financial and accounting experience, including financial reporting, financial planning and analysis, mergers and acquisitions, and internal audit, among others.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange the trading symbol SEE. As of February 8, 2019, there were approximately 3,933 holders of record of our common stock.

Common Stock Performance Comparisons

The following graph shows, for the five years ended December 31, 2018, the cumulative total return on an investment of $100 assumed to have been made on December 31, 2013 in our common stock. The graph compares this return ("SEE") with that of comparable investments assumed to have been made on the same date in: (a) the Standard & Poor's 500 Stock Index ("Composite S&P 500") and (b) a self-constructed peer group ("Peer Group").

The Peer Group includes us and the following companies: AptarGroup, Inc.; Ashland Global Holdings Inc.; Avery Dennison Corporation; Axalta Coating Systems Ltd.; Ball Corporation; Bemis Company, Inc; Berry Global Group, Inc.; Celanese Corporation; Crown Holdings, Inc.; Graphic Packaging Holding Company; Greif, Inc.; Maple Leaf Foods Inc.; Owens-Illinois, Inc.; Packaging Corporation of America; PolyOne Corporation; Silgan Holdings Inc.; and Sonoco Products Company.

Total return for each assumed investment assumes the reinvestment of all dividends on December 31 of the year in which the dividends were paid.

Issuer Purchases of Equity Securities

The table below sets forth the total number of shares of our common stock, par value $0.10 per share, that we repurchased in each month of the quarter ended December 31, 2018, the average price paid per share and the maximum number of shares that may yet be purchased under our publicly announced plans or programs.

Period	Total Number of Shares Purchase[(i)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
	(a)	(b)	(c)	(d)
Balance as of September 30, 2018				$ 823,202,482
October 1, 2018 through October 31, 2018	11,294	$	——	823,202,482
November 1, 2018 through November 30, 2018	1,291,754	35.46	1,291,754	777,397,507
December 1, 2018 through December 31, 2018	81,875	34.95	71,530	774,897,541
Total	1,384,923		1,363,284	$ 774,897,541

(i) We acquire shares by means of (i) open market share repurchases, (ii) accelerated share repurchase programs we enter into from time to time, (iii) shares withheld from awards under our Omnibus Incentive Plan (the successor plan to our 2005 Contingent Stock Plan) pursuant to the provision thereof that permits tax withholding obligations or other legally required charges to be satisfied by having us withhold shares from an award under that plan and/or (iv) shares reacquired pursuant to the forfeiture provision of our Omnibus Incentive Plan. We report price calculations in column (b) in the table above only for shares purchased as part of our publicly announced program, when applicable. For shares withheld for tax withholding obligations or other legally required charges, we withhold shares at a price equal to their fair market value. We do not make payments for shares reacquired by the Company pursuant to the forfeiture provision of the Omnibus Incentive Plan as those shares are simply forfeited.

Period	Shares withheld for tax obligations and charges	Average withholding price for shares in column "a"	Forfeitures under Omnibus Incentive Plan	Total
	(a)	(b)	(c)	(d)
October 2018	—	$ —	11,294	11,294
November 2018	—	—	—	—
December 2018	—	—	10,345	10,345
Total	—		21,639	21,639

On July 9, 2015, the Board of Directors authorized a new stock repurchase program to repurchase up to $1.5 billion of the Company's issued and outstanding common stock. This new program replaced the previous stock repurchase program approved in August 2007. On March 25, 2017, the Board of Directors further authorized up to an additional $1.5 billion of repurchases of the Company's outstanding common stock under such program. Additionally, on May 2, 2018, the Board of Directors increased the share repurchase program authorization to $1.0 billion. This new program has no expiration date and replaces the previous authorizations.

Item 6. Selected Financial Data

	Year Ended December 31,				
(In millions, except share data)	2018	2017	2016	2015	2014
Consolidated Statements of Operations Data[1]:					
Net sales	$4,732.7	$4,461.6	$4,211.3	$4,410.3	$4,875.0
Gross profit	1,502.1	1,412.1	1,401.0	1,449.2	1,432.9
Operating profit	656.3	571.3	628.9	624.9	549.2
Loss on debt redemption	—	—	—	(110.0)	(102.5)
Earnings from continuing operations before income tax provision	457.8	393.3	387.9	291.4	186.4
Net earnings from continuing operations	150.3	62.8	292.3	158.8	164.6
Gain on sale of discontinued operations, net of tax[2]	42.8	640.7	—	—	—
Net earnings from discontinued operations, net of tax[2]	—	111.4	194.1	176.6	93.5
Net earnings	$193.1	$814.9	$486.4	$335.4	$258.1
Basic and diluted net earnings per common share:					
Basic					
Continuing operations	$0.94	$0.34	$1.50	$0.78	$0.78
Discontinued operations[2]	0.27	3.99	0.99	0.85	0.44
Net earnings per common share—basic	$1.21	$4.33	$2.49	$1.63	$1.22
Diluted					
Continuing operations	$0.94	$0.33	$1.48	$0.77	$0.77
Discontinued operations[2]	0.26	3.96	0.98	0.85	0.43
Net earnings per common share—diluted	$1.20	$4.29	$2.46	$1.62	$1.20
Dividends per common share	$0.64	$0.64	$0.61	$0.52	$0.52
Consolidated Balance Sheets Data:					
Total assets	$5,050.2	$5,280.3	$7,415.5	$7,395.1	$7,912.0
Long-term debt, less current portion[2]	3,236.5	3,230.5	3,762.6	4,076.7	4,014.1
Total stockholders' (deficit) equity	(348.6)	152.3	609.7	527.0	1,162.8
Consolidated Cash Flows Data[1]:					
Net cash provided by (used in) operating activities	$428.0	$424.4	$906.9	$982.1	$(218.8)
Net cash (used in) provided by investing activities	(266.7)	1,786.1	(314.8)	(60.0)	(126.3)
Net cash used in financing activities	(478.3)	(1,889.7)	(544.5)	(788.7)	(321.2)
Other Financial Data:					
Depreciation and amortization	$131.2	$149.3	$214.0	$213.3	$107.5
Share-based incentive compensation	29.2	44.9	59.9	61.2	46.4
Capital expenditures	(168.6)	(183.8)	(275.7)	(184.0)	(129.7)

(1) See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for a discussion of the factors that contributed to our consolidated operating results and our consolidated cash flows for the three years ended December 31, 2018.

(2) Operating results for the Diversey Care division and the Food Hygiene and Cleaning business within our Food Care division were reclassified to discontinued operations in 2014 through the sale on September 6, 2017. The related assets and liabilities were reclassified to assets and liabilities held for sale as of December 31, 2014. See Note 4, "Discontinued Operations, Divestitures and Acquisitions," of the Notes to Consolidated Financial Statements for further information about the sale of the Diversey Care division and the Food Hygiene and Cleaning business within our Food Care division.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The information in this MD&A should be read together with our Consolidated Financial Statements and related notes set forth in Part II, Item 8, as well as the discussion included in Part I, Item 1A, “Risk Factors,” of this Annual Report on Form 10-K. All amounts and percentages are approximate due to rounding and all dollars are in millions, except per share amounts.

On March 25, 2017, we entered into a definitive agreement to sell the Diversey Care division and the Food Hygiene and Cleaning business within the Food Care division (collectively "Diversey"). The sale of Diversey was completed on September 6, 2017. Results of operations for Diversey are reported as discontinued operations in all periods presented. See Note 4, “Discontinued Operations, Divestitures and Acquisitions,” of the Notes to the Consolidated Financial Statements for further information.

The Company’s segment reporting structure consists of two reportable segments and a Corporate category as follows:

- Food Care; and
- Product Care.

The Company’s Food Care and Product Care segments are considered reportable segments under FASB ASC Topic 280. Our reportable segments are aligned with similar groups of products and management team. Corporate includes certain costs that are not allocated to or monitored by the reportable segments' management. See Note 5, “Segments,” of the Notes to the Consolidated Financial Statements for further information.

Overview

We are a global leader in food safety and security and product protection. We serve an array of end markets including food and beverage processing, food service, retail, and commercial and consumer applications. Our focus is on achieving quality sales growth through leveraging our geographic footprint, technological know-how and leading market positions to bring measurable, sustainable value to our customers and investors. We have widely recognized and inventive brands such as Cryovac® packaging technology, our Bubble Wrap® brand cushioning, Jiffy® protective mailers and Instapak® foam-in-place systems.

We employ sales, marketing and customer service personnel throughout the world who sell and market our products to and through a large number of distributors, fabricators, converters, e-commerce and mail order fulfillment firms, and contract packaging firms as well as directly to end-users such as food processors, food service businesses, supermarket retailers, lodging, retail pharmaceutical companies, healthcare facilities, medical device manufacturers, and other manufacturers. We have no material long-term contracts for the distribution of our products. In 2018, no customer or affiliated group of customers accounted for 10% or more of our consolidated net sales.

Historically, net sales in our Food Care segment have tended to be slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter, due to holiday events. Net sales in our Product Care segment have also tended to be slightly lower in the first quarter and higher in the mid-third quarter and through the fourth quarter due to the holiday shopping season. On a consolidated basis, there is little seasonality in the business with net sales slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter. Our consolidated net earnings typically trend directionally the same as our net sales seasonality. Cash flow from operations tends to be higher in the second half of the year, reflecting seasonality of sales and working capital changes, including the timing of certain annual incentive compensation payments.

Other factors may outweigh the effects of seasonal changes in our net earnings results including, but not limited to, changes in raw materials and other costs, foreign exchange rates, interest rates, taxes and the timing and amount of acquisition synergies and restructuring and other non-recurring charges.

Competition for most of our packaging products is based primarily on packaging performance characteristics, automation, service and price. Since competition is also based upon innovations in packaging technology, we maintain ongoing research and development programs to enable us to maintain technological leadership. Competition is both global and regional in scope and includes numerous small, local competitors with limited product portfolios and geographic reach. For more details, see “Competition” included in Part I, Item 1 “Business.”

Our net sales are sensitive to developments in our customers’ business or market conditions, changes in the global economy, and the effects of foreign currency translation. Our costs can vary materially due to changes in input costs, including

petrochemical-related costs (primarily resin costs), which are not within our control. Consequently, our management focuses on reducing those costs that we can control and using petrochemical-based and other raw materials as efficiently as possible. We also believe that our global presence helps to insulate us from localized changes in business conditions.

We manage our businesses to generate substantial operating cash flow. We believe that our operating cash flow will permit us to continue to spend on innovative research and development and to invest in our business by means of capital expenditures for property, equipment and acquisitions. Moreover, we expect that our ability to generate substantial operating cash flow should provide us with the flexibility to repay debt and to return capital to our stockholders.

Recent Events and Trends

On December 13, 2018, Sealed Air announced its Reinvent SEE strategy to enhance earnings growth and address cost savings in the following key initiatives: speed to market for new innovations, SG&A productivity, product cost efficiency, and channel optimization and customer service enhancements. As previously announced, the Reinvent SEE strategy includes a three-year restructuring program (“New Program”). The New Program is expected to generate total annualized savings in the range of approximately $215 to $235 million by the end of 2021, of which approximately $45 million will be realized in 2019. The total cash cost of this program is estimated to be in the range of $190 to $220 million, of which approximately $80 million will be incurred in 2019.

As part of Reinvent SEE, Sealed Air is enhancing the Company’s operating model to drive market penetration, increase speed to market for new innovations and optimize channel and customer service. Sealed Air will combine the commercial leadership of two divisions to one SEE Commercial team led by Karl Deily who will serve as Chief Commercial Officer.

At this point in our Reinvent SEE progression, notwithstanding the combination of the commercial teams, we continue to evaluate the Company's performance under the segments of Food Care and Product Care. The Company will continue to assess the changes in the management and changes to the way we review the results and make operating decisions for the business and the related effect on our segment reporting structure. We will evaluate whether changes should be made to our segment reporting as the execution of our Reinvent SEE strategy progresses. Segment evaluation is one component of the broader reexamination of our operating model.

Highlights of Financial Performance

Below are the highlights of our financial performance for the three years ended December 31.

(In millions, except per share amounts)	Year Ended December 31, 2018	2017	2016	2018 vs. 2017 % Change	2017 vs. 2016 % Change
Net sales	$4,732.7	$4,461.6	$4,211.3	6.1 %	5.9 %
Gross profit	$1,502.1	$1,412.1	$1,401.0	6.4 %	0.8 %
As a % of net sales	31.7 %	31.7 %	33.3 %		
Operating profit	$656.3	$571.3	$628.9	14.9 %	(9.2)%
As a % of net sales	13.9 %	12.8 %	14.9 %		
Net earnings from continuing operations	$150.3	$62.8	$292.3	#	(78.5)%
Gain on sale of discontinued operations, net of tax	42.8	640.7	—	(93.3)%	#
Net earnings from discontinued operations, net of tax	—	111.4	194.1	#	(42.6)%
Net earnings	$193.1	$814.9	$486.4	(76.3)%	67.5 %
Basic:					
Continuing operations	$0.94	$0.34	$1.50	#	(77.3)%
Discontinued operations	0.27	3.99	0.99	(93.2)%	#
Net earnings per common share - basic	$1.21	$4.33	$2.49	(72.1)%	73.9 %
Diluted:					
Continuing operations	$0.94	$0.33	$1.48	#	(77.7)%
Discontinued operations	0.26	3.96	0.98	(93.4)%	#
Net earnings per common share - diluted	$1.20	$4.29	$2.46	(72.0)%	74.4 %
Weighted average number of common shares outstanding:					
Basic	159.4	186.9	194.3		
Diluted	160.2	188.9	197.2		
Non-U.S. GAAP Adjusted EBITDA from continuing operations(1)	$889.5	$833.3	$809.2	6.7 %	3.0 %
Non-U.S. GAAP Adjusted EPS from continuing operations(2)(3)	$2.50	$1.81	$1.70	38.1 %	6.5 %

\# Denotes a variance greater than or equal to 100%, or not meaningful.

(1) See Note 5, "Segments," of the Notes to Consolidated Financial Statements for a reconciliation of net earnings from continuing operations to non-U.S. GAAP Adjusted EBITDA from continuing operations.

(2) See "Diluted Net Earnings per Common Share" for a reconciliation of our EPS from continuing operations to our non-U.S. GAAP adjusted EPS from continuing operations.

(3) Represents U.S. GAAP EPS adjusted for the net effect of Special Items, which are certain specified infrequent, non-operational or one-time costs/credits.

Diluted Net Earnings per Common Share

The following table presents a reconciliation of our U.S. GAAP EPS to non-U.S. GAAP adjusted EPS from continuing operations.

	Year Ended December 31,					
	2018		2017		2016	
(In millions, except per share data)	Net Earnings	EPS	Net Earnings	EPS	Net Earnings	EPS
U.S. GAAP net earnings and diluted EPS from continuing operations[1]	$150.3	$0.94	$62.8	$0.33	$292.3	$1.48
Special Items[2]	250.6	1.56	279.8	1.48	42.4	0.22
Non-U.S. GAAP adjusted net earnings and adjusted EPS available from continuing operations	$400.9	$2.50	$342.6	$1.81	$334.7	$1.70
Weighted average number of common shares outstanding – Diluted		160.2		188.9		197.2

(1) Net earnings per common share are calculated under the two-class method.
(2) Special Items include the following:

	Year Ended December 31,		
(In millions, except per share data)	2018	2017	2016
Special Items:			
Restructuring and other charges	$(47.8)	$(12.1)	$(2.5)
Other restructuring associated costs	(15.8)	(14.3)	(19.8)
Foreign currency exchange loss due to highly inflationary economies	(2.5)	—	(1.7)
Charges related to ceasing operations in Venezuela[i]	—	—	(48.5)
Charges related to acquisition and divestiture activity	(13.3)	(15.5)	(1.8)
Charges incurred related to the sale of Diversey	(20.9)	(68.6)	(1.4)
Gain from class-action litigation settlement	14.9	—	—
Curtailment benefits related to retained Diversey retirement plans	—	13.5	—
Other Special Items[ii]	(9.4)	(0.5)	(1.4)
Pre-tax impact of Special Items	$(94.8)	$(97.5)	$(77.1)
Tax impact of Special Items and Tax Special Items[iii]	(155.8)	(182.3)	34.7
Net impact of Special Items	$(250.6)	$(279.8)	$(42.4)
Weighted average number of common shares outstanding - Diluted	160.2	188.9	197.2
Earnings per share impact from Special Items	$(1.56)	$(1.48)	$(0.22)

(i) Due to the ongoing challenging economic situation in Venezuela, the Company approved a program in the second quarter of 2016 to cease operations in the country. Refer to Note 2, “Summary of Significant Accounting Policies and Recently Issued Accounting Standards," of the Notes to the Consolidated Financial Statements for further details.

(ii) Other Special Items for the year ended December 31, 2018 primarily included fees related to professional services. Other Special Items for the year ended December 31, 2017 primarily included transaction costs related to reorganizations. Other Special Items for the year ended December 31, 2016 primarily included legal fees associated with restructuring.

(iii) Refer to Note 1 of the following table for a description of Tax Special Items.

Our U.S. GAAP and non-U.S. GAAP income taxes are as follows:

	Year Ended December 31,		
(In millions, except per share data)	2018	2017	2016
U.S. GAAP Earnings before income tax provision from continuing operations	$457.8	$393.3	$387.9
Pre-tax impact of Special Items	94.8	97.5	77.1
Non-U.S. GAAP Adjusted Earnings before income tax provision from continuing operations	$552.6	$490.8	$465.0
U.S. GAAP Income tax provision from continuing operations	$307.5	$330.5	$95.6
Tax Special Items[(1)]	(178.3)	(208.1)	23.7
Tax impact of Special Items[(2)]	22.5	25.8	11.0
Non-U.S. GAAP Adjusted Income tax provision from continuing operations	$151.7	$148.2	$130.3
U.S. GAAP Effective income tax rate	67.2 %	84.0 %	24.6 %
Non-U.S. GAAP Adjusted income tax rate	27.5 %	30.2 %	28.0 %

(1) For the year ended December 31, 2018, the Tax Special Items included $222 million of expense for Transition Tax, partially offset by the release of valuation allowances associated with tax initiatives. For the year ended December 31, 2017, the Tax Special Items include the impact of the sale of Diversey, the revaluation of deferred tax assets as a result of the TCJA and an increase in unrecognized tax benefits in foreign jurisdictions. For the year ended December 31, 2016, the Tax Special Items included adjustments to foreign tax credits and a change in the permanent reinvestment assertion in some of our foreign jurisdictions (i.e. a change in our repatriation of foreign earnings strategy).

(2) The tax rate used to calculate the tax impact of Special Items is based on the jurisdiction in which the charge was recorded.

Foreign Currency Translation Impact on Consolidated Financial Results

Since we are a U.S. domiciled company, we translate our foreign currency-denominated financial results into U.S. dollars. Due to the changes in the value of foreign currencies relative to the U.S. dollar, translating our financial results from foreign currencies to U.S. dollars may result in a favorable or unfavorable impact. Historically, the most significant currencies that have impacted the translation of our consolidated financial results are the euro, the Chinese Renminbi, the Australian dollar, the Brazilian real, the British pound, the Canadian dollar, and the Mexican peso.

The following table presents the approximate favorable or (unfavorable) impact foreign currency translation had on some of our consolidated financial results:

(In millions)	2018 vs. 2017	2017 vs. 2016
Net sales	$(43.4)	$29.9
Cost of sales	31.7	(23.3)
Selling, general and administrative expenses	1.0	(4.7)
Net earnings	(8.2)	(1.2)
Adjusted EBITDA	(11.1)	4.9

Net Sales by Geographic Region

The following tables present the components of the change in net sales by geographic region for the year ended December 31, 2018 compared with 2017 and for the year ended December 31, 2017 compared with 2016. We also present the change in net sales excluding the impact of foreign currency translation, a non-U.S. GAAP measure, which we define as “constant dollar” and the change in net sales excluding acquisitions and divestitures and the impact of foreign currency translation, a non-U.S. GAAP measure, which we define as "organic." We believe using constant and organic dollar measures aids in the comparability between periods as it eliminates the volatility of changes in foreign currency exchange rates and eliminates large fluctuations due to acquisitions or divestitures.

(In millions)	North America		EMEA		Latin America		APAC		Total	
2017 Net Sales	$2,415.0	54.1%	$984.7	22.1%	$409.3	9.2 %	$652.6	14.6 %	$4,461.6	
Volume – Units	14.2	0.6 %	15.1	1.5 %	23.4	5.7 %	15.0	2.3 %	67.7	1.5 %
Price/mix[1]	76.0	3.1 %	13.7	1.4 %	45.6	11.1 %	(2.3)	(0.4)%	133.0	3.0 %
Total organic change (non-U.S. GAAP)	90.2	3.7 %	28.8	2.9 %	69.0	16.8 %	12.7	1.9 %	200.7	4.5 %
Acquisition	43.8	1.8 %	—	— %	1.4	0.3 %	68.6	10.5 %	113.8	2.6 %
Total constant dollar change (non-U.S. GAAP)	134.0	5.5 %	28.8	2.9 %	70.4	17.1 %	81.3	12.4 %	314.5	7.1 %
Foreign currency translation	(0.1)	— %	24.5	2.5 %	(62.6)	(15.3)%	(5.2)	(0.8)%	(43.4)	(1.0)%
Total change (U.S. GAAP)	133.9	5.5 %	53.3	5.4 %	7.8	1.8 %	76.1	11.6 %	271.1	6.1 %
2018 Net Sales	$2,548.9	53.9%	$1,038.0	21.9%	$417.1	8.8 %	$728.7	15.4 %	$4,732.7	

(In millions)	North America		EMEA		Latin America		APAC		Total	
2016 Net Sales	$2,237.8	53.1%	$962.7	22.9 %	$396.8	9.4%	$614.0	14.6 %	$4,211.3	
Volume – Units	161.4	7.2 %	12.9	1.3 %	5.9	1.5%	8.6	1.4 %	188.8	4.5%
Price/mix[1]	12.9	0.6 %	(7.9)	(0.8)%	4.0	1.0%	(1.0)	(0.2)%	8.0	0.2%
Total organic change (non-U.S. GAAP)	174.3	7.8 %	5.0	0.5 %	9.9	2.5%	7.6	1.2 %	196.8	4.7%
Acquisition	—	— %	—	— %	—	— %	23.6	3.8 %	23.6	0.6%
Total constant dollar change (non-U.S. GAAP)	174.3	7.8 %	5.0	0.5 %	9.9	2.5%	31.2	5.0 %	220.4	5.3%
Foreign currency translation	2.9	0.1 %	17.0	1.8 %	2.6	0.7%	7.4	1.2 %	29.9	0.7%
Total change (U.S. GAAP)	177.2	7.9 %	22.0	2.3 %	12.5	3.2%	38.6	6.2 %	250.3	6.0%
2017 Net Sales	$2,415.0	54.1%	$984.7	22.1 %	$409.3	9.2%	$652.6	14.6 %	$4,461.6	

(1) Our price/mix reported above includes the net impact of our pricing actions and rebates as well as the period-to-period change in the mix of products sold. Also included in our reported price/mix is the net effect of some of our customers purchasing our products in non-U.S. dollar or euro-denominated countries at selling prices denominated in U.S. dollars or euros. This primarily arises when we export products from the U.S. and euro-zone countries. The impact to our reported price/mix of these purchases in other countries at selling prices denominated in U.S. dollars or euros was not material in the periods included in the table above.

Net Sales by Segment

The following tables present the components of change in net sales by our segment reporting structure for the year ended December 31, 2018 compared with 2017 and for the year ended December 31, 2017 compared with 2016. We also present the change in net sales excluding the impact of foreign currency translation, a non-U.S. GAAP measure, which we define as “constant dollar” and the change in net sales excluding acquisitions and divestitures and the impact of foreign currency translation, a non-U.S. GAAP measure, which we define as "organic." We believe using constant and organic dollar measures aids in the comparability between periods as it eliminates the volatility of changes in foreign currency exchange rates and eliminations large fluctuations due to acquisitions or divestiture.

(In millions)	Food Care		Product Care		Total Company	
2017 Net Sales	$2,815.2	63.1 %	$1,646.4	36.9%	$4,461.6	
Volume – Units	63.1	2.2 %	4.6	0.3 %	67.7	1.5 %
Price/mix[1]	82.3	2.9 %	50.7	3.1 %	133.0	3.0 %
Total organic change (non-U.S. GAAP)	145.4	5.1 %	55.3	3.4 %	200.7	4.5 %
Acquisitions	—	— %	113.8	6.9 %	113.8	2.6 %
Total constant dollar change (non-U.S. GAAP)	145.4	5.1 %	169.1	10.3%	314.5	7.1 %
Foreign currency translation	(52.5)	(1.9)%	9.1	0.6 %	(43.4)	(1.0)%
Total change (U.S. GAAP)	92.9	3.2 %	178.2	10.9%	271.1	6.1 %
2018 Net Sales	$2,908.1	61.4 %	$1,824.6	38.6%	$4,732.7	

(In millions)	Food Care		Product Care		Total Company	
2016 Net Sales	$2,686.8	63.8%	$1,524.5	36.2%	4,211.3	
Volume – Units	102.6	3.8 %	86.2	5.7 %	$188.8	4.5%
Price/mix[1]	(0.7)	— %	8.7	0.6 %	8.0	0.2%
Total organic change (non-U.S. GAAP)	101.9	3.8 %	94.9	6.3 %	196.8	4.7%
Acquisitions	—	— %	23.6	1.5 %	23.6	0.6%
Total constant dollar change (non-U.S. GAAP)	101.9	3.8 %	118.5	7.8 %	220.4	5.2%
Foreign currency translation	26.5	1.0 %	3.4	0.2 %	29.9	0.7%
Total change (U.S. GAAP)	128.4	4.8 %	121.9	8.0 %	250.3	5.9%
2017 Net Sales	$2,815.2	63.1%	$1,646.4	36.9%	$4,461.6	

(1) Our price/mix reported above includes the net impact of our pricing actions and rebates as well as the period-to-period change in the mix of products sold. Also included in our reported product price/mix is the net effect of some of our customers purchasing our products in non-U.S. dollar or euro-denominated countries at selling prices denominated in U.S. dollars or euros. This primarily arises when we export products from the U.S. and euro-zone countries. The impact to our reported price/mix of these purchases in other countries at selling prices denominated in U.S. dollars or euros was not material in the periods included in the table above.

Food Care

2018 compared with 2017

As reported, net sales increased $93 million, or 3%, in 2018 compared with 2017. On a constant dollar basis, net sales increased $145 million, or 5%, in 2018 compared with 2017 primarily due to the following:

- favorable price/mix of $82 million, primarily in North America and Latin America; and
- higher unit volumes of $63 million across all regions.

2017 compared with 2016

As reported, net sales increased $128 million, or 5% in 2017 compared with 2016, of which $27 million was due to positive currency impact. On a constant dollar basis, net sales increased $102 million, or 4% in 2017 compared with 2016 primarily due to the following:

- higher unit volumes of $117 million, reflecting an increase in North America on strong demand of protein packaging and more modest increases in EMEA and Latin America.

This was partially offset by:

- lower unit volumes in APAC of $14 million primarily due to the continuation of historically low slaughter rates in Australia; and
- unfavorable price/mix of $1 million.

Product Care

2018 compared with 2017

As reported, net sales increased $178 million, or 11%, in 2018 compared with 2017, of which $9 million was due to positive currency impact. On a constant dollar basis, net sales increased $169 million, or 10% in 2018 compared with 2017 primarily due to the following:

- $114 million increase in sales due to the acquisitions of Fagerdala and AFP;
- favorable price/mix of $51 million, primarily in North America; and
- higher unit volumes of $6 million across EMEA, North America and Latin America.

This was partially offset by:

- lower organic unit volumes of $2 million in APAC.

2017 compared with 2016

As reported, net sales increased $122 million, or 8%, in 2017 compared with 2016, of which $3 million was due to positive currency impact. On a constant dollar basis, net sales increased $119 million, or 8% in 2017 compared with 2016 primarily due to the following:

- incremental sales resulting from the acquisition of Fagerdala in Singapore of $24 million;
- higher unit volumes of $86 million across all regions, primarily in North America due to ongoing strength in the e-Commerce and third-party logistics markets as well as increased volume units in APAC; and
- favorable price/mix of $9 million.

Cost of Sales

Cost of sales for three years ended December 31, were as follows:

	Year Ended December 31,			2018 vs. 2017	2017 vs. 2016
(In millions)	2018	2017	2016	% Change	% Change
Net sales	$4,732.7	$4,461.6	$4,211.3	6.1 %	5.9 %
Cost of sales	3,230.6	3,049.5	2,810.3	5.9 %	8.5 %
As a % of net sales	68.3 %	68.3 %	66.7 %		

2018 compared with 2017

As reported, cost of sales increased by $181 million, or 6%, in 2018 as compared to 2017. Cost of sales was impacted by favorable foreign currency translation of $32 million. On a constant dollar basis, cost of sales increased $213 million, or 7%, primarily due to higher raw material costs on increased sales volumes, non-material inflation and freight costs and increase costs due to acquisitions. Cost of sales as a percentage of our net sales was consistent in both years.

2017 compared with 2016

As reported, cost of sales increased by $239 million, or 9%, in 2017 as compared to 2016. Cost of sales was impacted by unfavorable foreign currency translation of $23 million. On a constant dollar basis, cost of sales increased $216 million, or 8%, primarily due to higher raw material costs on increased sales volumes, non-material inflation and freight costs and increase costs due to acquisitions. Cost of sales as a percentage of net sales increased by 160 basis points, primarily on higher input costs.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for three years ended December 31, are included in the table below.

(In millions)	Year Ended December 31, 2018	2017	2016	2018 vs. 2017 % Change	2017 vs. 2016 % Change
Selling, general and administrative expenses	$782.3	$815.6	$754.3	(4.1)%	8.1 %
As a % of net sales	16.5 %	18.3 %	17.9 %		

2018 compared with 2017

As reported, SG&A expenses decreased $33 million, or 4%, in 2018 as compared to 2017. SG&A expenses were impacted by favorable foreign currency translation of $1 million. On a constant dollar basis, SG&A expenses decreased $34 million, or 4%. This is primarily driven by higher costs in the prior year due to the sale of Diversey.

2017 compared with 2016

As reported, SG&A expenses increased $61 million, or 8%, in 2017 as compared to 2016. SG&A expenses were impacted by unfavorable foreign currency translation of $5 million. On a constant dollar basis, SG&A expenses increased $57 million, or 8%, primarily related to cost associated with sale of Diversey as well as salary and wage inflation.

Amortization Expense of Intangible Assets Acquired

Amortization expense of intangible assets acquired for the years ended December 31, were as follows:

(In millions)	Year Ended December 31, 2018	2017	2016	2018 vs. 2017 % Change	2017 vs. 2016 % Change
Amortization expense of intangible assets acquired	$15.7	$13.1	$15.0	19.8 %	(12.7)%
As a % of net sales	0.3 %	0.3 %	0.4 %		

The increase in amortization expense of intangibles for the year ended December 31, 2018 was primarily related to the acquisition of Fagerdala.

From 2017 to 2016 amortization expenses decreased $2 million, or 13%, primarily related to assets which were separated as part of the sale of Diversey.

Restructuring Activities

See Note 10, "Restructuring Activities," of the Notes to Consolidated Financial Statements for additional details regarding each of the Company's restructuring programs discussed below, restructuring plan's accrual, spending and other activity for the year ended December 31, 2018.

In the first quarter of 2016, the Board of Directors agreed to consolidate the remaining activities of all restructuring programs to create a single program to be called the "Sealed Air Restructuring Program" or the "Program."

In December 2018 the Sealed Air Board of Directors approved a three-year restructuring program ("New Program") to drive total annualized savings by the end of 2021 in the range of $215 to $235 million. The total cash cost of the New Program is estimated to be in the range of $190 to $220 million, which will be incurred primarily in 2019 and 2020. Sealed Air will combine the New Program with its existing restructuring program ("Program") which was largely related to the elimination of stranded costs. The Program is estimated to generate incremental cost savings of $240 million to $260 million by the end of 2021, compared with the savings run rate achieved by the end of 2018. For the year ended December 31, 2018, the Program generated incremental cost savings of $44 million, primarily in selling, general and administrative expenses.

The actual timing of future costs and cash payments related to the Program described above are subject to change due to a variety of factors that may cause a portion of the costs, spending and benefits to occur later than expected. In addition, changes in foreign exchange rates may impact future costs, spending, benefits and cost synergies.

Interest Expense, net

Interest expense, net includes the stated interest rate on our outstanding debt, as well as the net impact of capitalized interest, interest income, the effects of interest rate swaps and the amortization of capitalized senior debt issuance costs and credit facility fees, bond discounts, and terminated treasury locks.

Interest expense, net for the years ended December 31, was as follows:

	Year Ended December 31,			2018 vs. 2017	2017 vs. 2016
(In millions)	2018	2017	2016	Change	Change
Interest expense on our various debt instruments:					
Term Loan A due July 2017[1]	$—	$3.6	$5.2	$ (3.6)	$ (1.6)
Term Loan A due July 2023[2]	8.9	18.6	19.9	(9.7)	(1.3)
Revolving credit facility due July 2023[2]	1.9	2.4	2.4	(0.5)	—
6.50% Senior Notes due December 2020	28.1	28.1	27.7	—	0.4
4.875% Senior Notes due December 2022	21.5	21.5	21.4	—	0.1
5.25% Senior Notes due April 2023	23.1	23.0	23.0	0.1	—
4.50% Senior Notes due September 2023	21.8	21.0	20.4	0.8	0.6
5.125% Senior Notes due December 2024	22.4	22.3	22.3	0.1	—
5.50% Senior Notes due September 2025	22.4	22.3	22.3	0.1	—
6.875% Senior Notes due July 2033	31.0	31.0	31.0	—	—
Other interest expense	18.2	18.3	14.7	(0.1)	3.6
Less: capitalized interest	(6.3)	(10.3)	(10.9)	4.0	0.6
Less: interest income	(15.1)	(17.6)	(7.5)	2.5	(10.1)
Total	$177.9	$184.2	$191.9	$ (6.3)	$ (7.7)

(1) We repaid the notes upon maturity in July 2017.

(2) On July 12, 2018, the Company and certain of its subsidiaries entered into the Third Amended and Restated Credit Agreement. See Note 12, "Debt and Credit Facilities," of the Notes to Consolidated Financial Statements for further details.

Other (Expense) Income, net

See Note 21, "Other (Expense) Income, net," of the Notes to Consolidated Financial Statements for the components and discussion of other income, net.

Income Taxes

The table below shows our effective income tax rate ("ETR").

Year Ended	Effective Tax Rate
2018	67.2 %
2017	84.0 %
2016	24.6 %

Our effective income tax rate for the year ended December 31, 2018 was 67.2%. The TCJA had a significant impact on our income tax expense for the year ended December 31, 2018. The 2018 effective tax rate includes the benefit of a lower U.S. corporate income tax rate of 21% and also reflects $222 million of expense for tax related to the one-time mandatory tax on

previously deferred foreign earnings of U.S subsidiaries under TCJA ("Transition Tax"). The difference between the Company's effective income tax rate and the U.S. statutory rate of 21% relates primarily to Transition Tax associated with the TCJA, the global intangible low-taxed income ("GILTI") provision enacted as part of the TCJA, state income taxes, and foreign earnings subject to higher tax rates, offset by tax benefit for reduction in valuation allowance related to tax initiatives.

Our effective income tax rate for the year ended December 31, 2017 was 84.0%. The annual effective income tax rate is higher than the statutory rate primarily as a result of expense related to the sale of Diversey, the revaluation of deferred tax assets as a result of the TCJA and an increase in unrecognized foreign tax benefits.

Our effective income tax rate for the year ended December 31, 2016 was 24.6%. The effective tax rate for the year ended December 31, 2016 is lower than the statutory rate primarily because of the mix of earnings and the change in our repatriation strategy.

Our effective income tax rate depends upon the realization of our net deferred tax assets. We have deferred tax assets related to accruals not yet deductible for tax purposes, state and foreign net operating loss carryforwards, tax credits, employee benefit items and other items.

The Internal Revenue Service (the "Service") is currently auditing the 2011-2014 consolidated U.S. federal income tax returns of the Company. Included in the audit of the 2014 return is the examination by the Service with respect to the Settlement agreement deduction and the related refund associated with the carryback to tax years 2004-2012. The outcome of the examination may require us to return a portion of the refund.

We have established valuation allowances to reduce our deferred tax assets to an amount that is more likely than not to be realized. Our ability to utilize our deferred tax assets depends in part upon our ability to carryback any losses created by the deduction of these temporary differences, the future income from existing temporary differences, and the ability to generate future taxable income within the respective jurisdictions during the periods in which these temporary differences reverse. If we are unable to generate sufficient future taxable income in the U.S. and certain foreign jurisdictions, or if there is a significant change in the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowances against our deferred tax assets. Conversely, if we have sufficient future taxable income in jurisdictions where we have valuation allowances, we may be able to reverse those valuation allowances. We reported a net increase in our valuation allowance for the year ended December 31, 2018, primarily related to foreign net operating losses. See Note 17, "Income Taxes," of the Notes to Consolidated Financial Statements for additional information.

We reported a net expense for unrecognized tax benefits in the year ended December 31, 2018 of $95 million, primarily related to North America tax positions, offset by statute of limitations lapses in other foreign jurisdictions. Interest and penalties on tax assessments are included in income tax expense.

Net Earnings from Continuing Operations

Net earnings from continuing operations for the years ended December 31, are included in the table below.

(In millions)	Year Ended December 31, 2018	2017	2016	2018 vs. 2017 % Change	2017 vs. 2016 % Change
Net earnings from continuing operations	$150.3	$62.8	$292.3	139.3 %	(78.5)%

For 2018, net earnings were unfavorably impacted by $251 million of Special Items. Special Items primarily related to Tax Special Items including $222 million of expense for the one-time Transition Tax, partially offset by the release of valuation allowances associated with tax initiatives. In addition, net earnings were unfavorably impacted by Special Items expenses primarily related to restructuring and other restructuring associated costs of $64 million ($50 million net of taxes), charges related to the sale of Diversey of $21 million ($14 million net of taxes) and expenses related to acquisition integrations and divestiture activities of $13 million ($10 million net of taxes), partially offset by gain on class-action litigation proceeds of $15 million ($12 million net of taxes).

For 2017, net earnings were unfavorably impacted by $280 million of Special Items, primarily related to Tax Special Items related to the sale of Diversey of $152 million, charges related to the sale of Diversey of $55 million ($29 million net of taxes) related to professional fees and restructuring, restructuring and other restructuring associated costs related to our restructuring program of $26 million ($21 million net of taxes) and other acquisition and divestiture activity of $16 million ($13 million net of taxes).

For 2016, net earnings were unfavorably impacted by $42 million of Special Items, including charges related ceasing operations in Venezuela of $49 million ($46 million net of taxes), restructuring and other restructuring associated costs related to our restructuring programs of $22 million ($17 million net of taxes), foreign currency exchange losses related to our Venezuelan subsidiaries of $2 million ($2 million net of taxes), and additional loss from the sale of our European food trays business and other divestitures of $2 million ($2 million net of taxes).

Net Earnings from Discontinued Operations

See Note 4, "Discontinued Operations, Divestitures and Acquisitions," of the Notes to Consolidated Financial Statements for the components and discussion of net earnings from discontinued operations.

Adjusted EBITDA by Segment

We allocate and disclose depreciation and amortization expense to our segments, although depreciation and amortization are not included in the segment performance metric Adjusted EBITDA. We also allocate and disclose restructuring and other charges and impairment of goodwill and other intangible assets by segment, although it is not included in the segment performance metric Adjusted EBITDA since restructuring and other charges and impairment of goodwill and other intangible assets are categorized as Special Items. The accounting policies of the reportable segments and Corporate are the same as those applied to the Consolidated Financial Statements.

See Note 5, "Segments," of the Notes to Consolidated Financial Statements for the reconciliation of U.S. GAAP net earnings from continuing operations to non-U.S. GAAP Adjusted EBITDA and other segment details.

(In millions)	Year Ended December 31, 2018	2017	2016	2018 vs. 2017 % Change	2017 vs. 2016 % Change
Food Care	$577.8	$538.1	$520.1	7.4 %	3.5 %
Adjusted EBITDA Margin	19.9 %	19.1 %	19.4 %		
Product Care	318.6	292.2	284.8	9.0 %	2.6 %
Adjusted EBITDA Margin	17.5 %	17.7 %	18.7 %		
Corporate	(6.9)	3.0	4.3	(330.0)%	(30.2)%
Non-U.S. GAAP Total Company Adjusted EBITDA from continuing operations	$889.5	$833.3	$809.2	6.7 %	3.0 %
Adjusted EBITDA Margin	18.8 %	18.7 %	19.2 %		

The following is a discussion of the factors that contributed to the change in Adjusted EBITDA by segment in the three years ended December 31, 2018 as compared with the prior year.

Food Care

2018 compared with 2017

On a reported basis, Adjusted EBITDA increased $40 million in 2018 as compared to 2017. Adjusted EBITDA was impacted by unfavorable foreign currency translation of $14 million. On a constant dollar basis, Adjusted EBITDA increased $53 million, or 10%, in 2018 compared with the same period in 2017 primarily due to the impact of:

- favorable mix and price/cost spread of $33 million;
- $28 million of restructuring savings; and
- positive volume trends of $21 million.

These were partially offset by:

- higher non-material manufacturing costs and other costs of $28 million, including salary and wage inflation.

2017 compared with 2016

Adjusted EBITDA was impacted by favorable foreign currency translation of approximately $5 million. On a constant dollar basis, Adjusted EBITDA increased approximately $14 million, or 3%, in 2017 compared with the same period in 2016 primarily due to the impact of:

- positive volume trends of $44 million; and
- restructuring savings of $7 million.

These drivers were partially offset by:

- higher non-material manufacturing costs of $15 million, including salary and wage inflation; and
- unfavorable mix and price/cost spread of $22 million, primarily due to higher raw material and freight costs.

Product Care

2018 compared with 2017

On a reported basis, Adjusted EBITDA increased $26 million in 2018 as compared to 2017. Adjusted EBITDA was impacted by favorable foreign currency translation of $3 million. On a constant dollar basis, Adjusted EBITDA increased $24 million, or 8%, in 2018 compared with the same period in 2017 primarily due to the impact of:

- favorable price/cost spread of more than $15 million;
- restructuring savings of more than $15 million; and
- positive volume trends of $2 million.

This was partially offset by:

- higher costs of $9 million primarily driven by higher non-material manufacturing costs and other costs including salary and wage inflation offset by income from the acquisition of Fagerdala and AFP.

2017 compared with 2016

Adjusted EBITDA on a constant dollar and actual basis increased $7 million or 3% in 2017 compared to 2016 due to the impact of:

- positive volume trends of $37 million; and
- restructuring savings of $4 million.

These drivers were offset by:

- unfavorable mix and price/cost spread of $27 million primarily due to higher raw material and freight costs; and
- higher non-material manufacturing costs of $7 million including salary and wage inflation.

Corporate

2018 compared with 2017

Corporate expenses increased by $10 million on an as reported basis and constant dollar basis as compared with the same period in 2017, primarily due to foreign currency losses.

2017 compared with 2016

Adjusted EBITDA in Corporate was primary driven by foreign currency gains and pension income related to some of the closed defined benefit pension plans. Adjusted EBITDA attributable to Corporate decreased by approximately $1 million compared to the same period in 2016.

Reconciliation of U.S. GAAP Net Earnings from Continuing Operations to non-U.S. GAAP Total Company Adjusted EBITDA

The following table shows a reconciliation of U.S. GAAP net earnings from continuing operations to non-U.S. GAAP Total Company Adjusted EBITDA from continuing operations:

	Year Ended December 31,		
(In millions)	2018	2017	2016
Net earnings from continuing operations[1]	$150.3	$62.8	$292.3
Plus: Interest expense, net	(177.9)	(184.2)	