SEALED AIR CORP/DE
Form 10-Q
November 05, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014

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 (State or other jurisdiction of incorporation or organization)	65-0654331 (I.R.S. Employer Identification Number)
200 Riverfront Boulevard	07407-1033

Elmwood Park, New Jersey
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (201) 791-7600

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 x

There were 211,157,615 shares of the registrant's common stock, par value $0.10 per share, issued and outstanding as of October 31, 2014.

SEALED AIR CORPORATION AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

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Cautionary Notice Regarding Forward-Looking Statements

This report contains “forward-looking statements” within the meaning 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. Forward-looking statements can be identified by such words as “anticipates,” “believes,” “plan,” “assumes,” “could,” “should,” “estimates,” “expects,” “intends,” “potential,” “seek,” “predict,” “may,” “will” and simil 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. These statements reflect our beliefs and expectations as to future events and trends affecting our business, our condensed consolidated financial condition and results of operations. These forward-looking statements are based upon our current expectations concerning future events and discuss, among other things, anticipated future financial performance and future business plans. Examples of these forward-looking statements include projections regarding our 2014 outlook and other projections relating to our financial performance in Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”).

The following are important factors that we believe could cause actual results to differ materially from those in our forward-looking statements: the expected cash tax benefits associated with the Settlement agreement (as defined in our 2013 Annual Report on Form 10-K); global economic and political conditions; changes in our credit ratings; changes in raw material pricing and availability; changes in energy costs; competitive conditions; success of our restructuring and relocation activities; currency translation and devaluation effects, including in Venezuela; the success of our financial growth, profitability, cash generation and manufacturing strategies and our cost reduction and productivity efforts; the effects of animal and food-related health issues; pandemics; consumer preferences; environmental matters; regulatory actions and legal matters; and the other information referenced below in Part II, Item 1A, “Risk Factors.” Except as required by the federal securities laws, we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events 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 4, “Segments” and our MD&A for reconciliations of our non-U.S. GAAP financial measures to U.S. GAAP.

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 as unusual or special 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.

We also present our adjusted income tax rate or provision (“Tax Rate”). The 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. The Tax Rate is an indicator of the taxes on our core business. The tax situation and effective tax rate in the specific countries where the excluded or special items occur will determine the impact (positive or negative) to the Tax Rate.

In our “Net Sales by Geographic Region,” “Components of Change in 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.” 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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	September 30, 2014 (unaudited)	December 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 420.7	$ 992.4
Trade receivables, net of allowance for doubtful accounts of $31.5 in 2014 and $31.4 in 2013	1,042.7	1,126.4
Other receivables	362.6	147.9
Inventories	765.7	688.4
Deferred taxes	101.8	377.7
Prepaid expenses and other current assets	219.2	84.9
Total current assets	2,912.7	3,417.7
Property and equipment, net	1,024.3	1,134.5
Goodwill	3,057.0	3,114.6
Intangible assets, net	909.6	1,016.9
Non-current deferred taxes	78.0	63.1
Other non-current assets	372.9	387.4
Total assets	$ 8,354.5	$ 9,134.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 417.0	$ 81.6
Current portion of long-term debt	1.3	201.5
Accounts payable	660.2	524.5
Deferred taxes	9.5	8.1
Settlement agreement and related accrued interest	—	925.1
Accrued restructuring costs	46.2	69.6
Other current liabilities	886.1	890.4
Total current liabilities	2,020.3	2,700.8
Long-term debt, less current portion	4,197.7	4,116.4
Non-current deferred taxes	231.3	278.6
Other non-current liabilities	577.9	647.9
Total liabilities	7,027.2	7,743.7
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.10 par value per share, 50,000,000 shares authorized; no shares issued in 2014 and 2013	—	—

Common stock, $0.10 par value per share, 400,000,000 shares authorized; shares issued: 224,631,950 in 2014 and 205,707,580 in 2013; shares outstanding: 211,883,620 in 2014 and 196,198,672 in 2013	22.5	20.6
Common stock reserved for issuance related to Settlement agreement, $0.10 par value per share, no shares in 2014 and 18,000,000 shares in 2013	—	1.8
Additional paid-in capital	1,733.0	1,695.3
Retained earnings	383.9	276.4
Common stock in treasury, 12,748,330 shares in 2014 and 9,508,908 shares in 2013	(431.3)	(327.6)
Accumulated other comprehensive loss, net of taxes:		
Unrecognized pension items	(132.9)	(146.2)
Cumulative translation adjustment	(251.9)	(134.4)
Unrealized gains on derivative instruments	4.0	3.2
Total accumulated other comprehensive loss, net of taxes	(380.8)	(277.4)
Total parent company stockholders' equity	1,327.3	1,389.1
Noncontrolling interests	—	1.4
Total stockholders’ equity	1,327.3	1,390.5
Total liabilities and stockholders’ equity	$ 8,354.5	$ 9,134.2

See accompanying Notes to Condensed Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	$1,975.5	$1,912.0	$5,776.8	$5,678.3
Cost of sales	1,281.9	1,262.1	3,762.3	3,757.1
Gross profit	693.6	649.9	2,014.5	1,921.2
Selling, general and administrative expenses	467.4	426.0	1,374.5	1,310.6
Amortization expense of intangible assets acquired	30.4	29.1	92.8	92.4
Stock appreciation rights expense	1.0	8.7	3.2	26.8
Integration related costs	1.4	0.3	3.3	0.7
Restructuring and other charges	11.4	49.5	31.6	61.2
Operating profit	182.0	136.3	509.1	429.5
Interest expense	(69.7)	(88.9)	(222.1)	(269.4)
Impairment of equity method investment	—	(2.1)	(5.7)	(2.1)
Foreign currency exchange (losses) gains related to Venezuelan subsidiaries	(4.1)	0.7	(18.9)	(12.9)
Gain from Claims Settlement	—	—	21.1	—
Loss on debt redemption and refinancing activities	(17.7)	—	(18.5)	(32.4)
Other income (expense), net	4.5	0.3	5.8	(2.7)
Earnings from continuing operations before income tax provision	95.0	46.3	270.8	110.0
Income tax provision	35.7	11.2	79.5	19.9
Net earnings from continuing operations	59.3	35.1	191.3	90.1
Net earnings from discontinued operations	—	2.5	—	6.5
Net earnings available to common stockholders	$59.3	$37.6	$191.3	$96.6
Net earnings per common share:				
Basic:				
Continuing operations	$0.28	$0.18	$0.91	$0.46
Discontinued operations	—	0.01	—	0.03
Net earnings per common share - basic	$0.28	$0.19	$0.91	$0.49
Diluted:				
Continuing operations	$0.28	$0.17	$0.88	$0.42
Discontinued operations	—	0.01	—	0.03
Net earnings per common share - diluted	$0.28	$0.18	$0.88	$0.45
Dividends per common share	$0.13	$0.13	$0.39	$0.39
Weighted average number of common shares outstanding:				
Basic	210.4	194.9	210.2	194.5
Diluted	213.5	215.3	215.3	214.9

See accompanying Notes to Condensed Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net earnings available to common stockholders	$ 59.3	$ 37.6	$ 191.3	$ 96.6
Other comprehensive income (loss), net of taxes:				
Recognition of deferred pension items, net of taxes of $(2.9) for the three months ended September 30, 2014, $(0.1) for the three months ended September 30, 2013, $(3.0) for the nine months ended September 30, 2014 and $(1.8) for the nine months ended September 30, 2013	10.9	(1.2)	13.3	4.8
Foreign currency translation adjustments	(140.6)	28.3	(117.5)	(88.8)
Unrealized gains (losses) on derivative instruments, net of taxes of $(0.8) for the three months ended September 30, 2014, $1.3 for the three months ended September 30, 2013, $0.4 for the nine months ended September 30, 2014 and $(0.2) for the nine months ended September 30, 2013	4.2	(3.4)	0.8	(0.1)
Comprehensive income (loss), net of taxes	$ (66.2)	$ 61.3	$ 87.9	$ 12.5

See accompanying Notes to Condensed Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)

	Nine months ended September 30,	
	2014	2013
Net earnings available to common stockholders from continuing operations	$191.3	$90.1
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities from continuing operations:		
Depreciation and amortization	205.0	213.6
Share-based incentive compensation	36.7	20.4
Profit sharing expense	28.3	29.5
Integration related costs	3.3	0.7
Amortization of senior debt related items and other	5.1	12.3
Loss on debt redemption and refinancing activities	18.5	32.4
Impairment of equity method investment	5.7	2.1
Asset impairment	4.1	—
Development grant matter	14.0	—
Provisions for bad debt	5.4	9.6
Provisions for inventory obsolescence	10.3	2.3
Gain from Claims Settlement	(21.1)	—
Deferred taxes, net	4.3	(48.5)
Net (gain) on disposals of property and equipment and other	(2.7)	(1.2)
Changes in operating assets and liabilities:		
Trade receivables, net	(62.5)	(34.7)
Inventories	(121.0)	(107.6)
Other assets	(31.9)	(40.5)
Accounts payable	159.1	48.2
Settlement agreement and related accrued interest	(929.7)	36.2
Other liabilities	(3.9)	5.1
Net cash (used in) provided by operating activities from continuing operations	(481.7)	270.0
Cash flows from investing activities from continuing operations:		
Capital expenditures	(93.8)	(79.6)
Businesses acquired in purchase transactions, net of cash and cash equivalents acquired	(3.1)	(1.5)
Proceeds from sales of property and equipment	8.7	5.8
Other investing activities	(0.5)	0.3
Net cash used in investing activities from continuing operations	(88.7)	(75.0)
Cash flows from financing activities from continuing operations:		
Net proceeds from short-term borrowings	342.6	43.4
Payments of long-term debt	(1,540.1)	(456.1)
Proceeds from long-term debt	1,431.3	425.1
Dividends paid on common stock	(83.9)	(76.4)
Acquisition of common stock for tax withholding obligations under our 2005 contingent stock plan	(2.9)	(3.9)

Repurchases of common stock	(134.0)	—
Payments of debt issuance costs	(12.3)	(7.7)
Payments for debt extinguishment costs	—	(26.2)
Net cash provided by (used in) financing activities from continuing operations	0.7	(101.8)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(2.0)	(3.9)
Net change in cash and cash equivalents from continuing operations	(571.7)	89.3
Net cash provided by operating activities from discontinued operations	—	8.2
Net cash used in investing activities from discontinued operations	—	(0.4)
Net change in cash and cash equivalents from discontinued operations	—	7.8
Cash and cash equivalents:		
Balance, beginning of period	992.4	679.6
Net change during the period	(571.7)	97.1
Balance, end of period	$420.7	$776.7
Supplemental Cash Flow Information:		
Interest payments, net of amounts capitalized	$660.6	$254.0
Income tax payments	$65.8	$77.2
Stock appreciation rights payments (less amounts included in restructuring payments)	$18.0	$42.8
Restructuring payments including associated costs	$75.8	$71.7
Non-cash items:		
Transfers of shares of our common stock from treasury for our 2013 and 2012 profit-sharing plan contributions	$33.2	$18.6
Transfer of shares of our common stock reserved as part of the funding of the Settlement agreement	$1.8	$—

See accompanying Notes to Condensed Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(Amounts are in millions, except per share data)

(1) Organization and Basis of Presentation

Organization

We are a global leader in food safety and security, facility hygiene and product protection. We serve an array of end markets including food and beverage processing, food service, retail, healthcare and industrial, 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, employees and investors.

We conduct substantially all of our business through three wholly-owned subsidiaries, Cryovac, Inc., Sealed Air Corporation (US) and Diversey, Inc. Throughout this report, when we refer to “Sealed Air,” the “Company,” “we,” “our,” or “us,” we are referring to Sealed Air Corporation and all of our subsidiaries, except where the context indicates otherwise.

Basis of Presentation

Our condensed consolidated financial statements include all of the accounts of the Company and our subsidiaries. We have eliminated all significant intercompany transactions and balances in consolidation. In management’s opinion, all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of our condensed consolidated balance sheet as of September 30, 2014 and our condensed consolidated statements of operations for the three and nine months ended September 30, 2014 and 2013 have been made. The results set forth in our condensed consolidated statements of operations for the three and nine months ended September 30, 2014 and in our condensed consolidated statements of cash flows for the nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year. All amounts are in millions, except per share amounts, and approximate due to rounding. Some prior period amounts have been reclassified to conform to the current year presentation. These reclassifications, individually and in the aggregate, had no impact on our condensed consolidated financial condition, results of operations and cash flows.

In the three months ended September 30, 2014, we determined that we did not include any Performance Share Unit (“PSU”) awards in our diluted weighted average number of common shares outstanding previously reported in 2014 and 2013, although the achievement levels of the respective performance conditions were met at the end of each of the respective reporting periods in 2014 and 2013. The impact of not including these shares in the previously reported periods in 2014 and 2013 was not material to the calculation of the weighted average shares included in the diluted net earnings per common share under the two-class method and had no impact on diluted net earnings per common share for these periods. Accordingly, we do not consider this correction to be material to our previously reported diluted weighted average number of common shares outstanding or our previously reported net earnings per common share. See Note 17, “Net Earnings Per Common Share” for further details.

Our condensed consolidated financial statements were prepared in accordance with the interim reporting requirements of the SEC. As permitted under those rules, annual footnotes or other financial information that are normally required by U.S. GAAP have been condensed or omitted. The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in our condensed consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

We are responsible for the unaudited condensed consolidated financial statements and notes included in this report. As these are condensed financial statements, they should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 as filed with the SEC on February 28, 2014 (“2013 Form 10-K”) and with the information contained in other publicly-available filings with the SEC.

On December 6, 2013, we completed the sale of our rigid medical packaging business. The operating results for the rigid medical packaging business were reclassified to discontinued operations, net of tax, on the condensed consolidated statements of operations for the three and nine months ended September 30, 2013. Prior year disclosures in the condensed consolidated statement of cash flows and the notes to condensed consolidated financial statements have been revised accordingly. See Note 3, “Divestiture” for further information.

Effective as of January 1, 2014, we changed our segment reporting structure. There was no change to our previously reported Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, Consolidated Statements of Stockholders' Equity or Consolidated Statements of Cash Flows due to our change in segment reporting structure. See our Current Report on Form 8-K filed with the SEC on June 6, 2014 for further details on the changes to our segment reporting and Note 4, "Segments" for further information.

(2) Recently Issued Accounting Standards

In April 2014, Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," ("ASU 2014-08"). Under ASU 2014-08, only disposals representing a strategic shift in operations that have a major effect on the Company's operations and financial results should be presented as discontinued operations. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The amendments in ASU 2014-08 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. However, ASU 2014-08 should not be applied to a component that is classified as held for sale before the effective date even if the component is disposed of after the effective date. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. The effects of ASU 2014-08 will depend on any future disposals by the Company.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," ("ASU 2014-09"). Previous revenue recognition guidance in U.S. GAAP comprised broad revenue recognition concepts together with numerous revenue requirements for particular industries or transactions, which sometimes resulted in different accounting for economically similar transactions. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principal, five steps are required to be applied. In addition, ASU 2014-09 expands and enhances disclosure requirements which require disclosing sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This includes both qualitative and quantitative information. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We are currently in the process of evaluating this new standard update.

In June 2014, the FASB issued ASU 2014-12, "Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period," ("ASU 2014-12"). ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Prior to the issuance of ASU 2014-12, U.S. GAAP did not contain explicit guidance on how to account for those share-based payments. Many reporting entities accounted for performance targets that could be achieved after the requisite service period as performance conditions that affect the vesting of the award and, therefore, did not reflect the performance target in the estimate of the grant-date fair value of the award. Other reporting entities treated those performance targets as nonvesting conditions that affected the grant-date fair value of the award. We currently treat performance targets that affect vesting as a performance condition and, as such, it is not included in the grant-date fair value. Therefore, the impact upon adoption would not be material to our condensed consolidated financial position or results of operations. The amendments in ASU 2014-12 are effective for fiscal years and interim periods within those years, beginning after December 15, 2015. Earlier application is permitted.

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements—Going Concern (Subtopic 205-40),” (“ASU 2014-15”). ASU 2014-15 requires that for each annual and interim reporting period, an entity’s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). The amendments in ASU 2014-15 are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. We currently do not expect the adoption of this standard update to have a material impact on our condensed consolidated financial statements.

(3) Divestiture

On December 6, 2013, we completed the sale of the rigid medical packaging business to a private equity firm, Mason Wells Buyout Fund III, L.P. for gross proceeds of $125 million, including certain purchase price adjustments. Net proceeds were $122 million. We recorded a pre-tax gain on the sale of $40 million ($23 million net of tax) which is included in net earnings in the consolidated statement of operations for the year ended December 31, 2013.

The rigid medical packaging business was included in our Other Category and was comprised of: Nelipak Holdings, located in the Netherlands and Ireland, Alga Plastics, located in the U.S. and ATE located in Costa Rica.

The results of the rigid medical packaging business are presented as discontinued operations, net of tax, in the condensed consolidated statements of operations for the three months and nine months ended September 30, 2013 and cash flows and related disclosures and, as such, have been excluded from both continuing operations and segment results for all periods presented. The operating results of the retained portion of the previously reported Medical Applications business continue to be part of our Other Category.

Following is selected financial information included in net earnings from discontinued operations:

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Net sales	$ 23.8	$ 71.9
Operating profit	$ 3.6	$ 9.5
Earnings before income tax provision	$ 3.6	$ 9.3
Income tax provision	1.1	2.8
Net earnings from discontinued operations, net of tax	$ 2.5	$ 6.5

(4) Segments

Effective as of January 1, 2014, we changed our segment reporting structure in order to reflect the way management makes operating decisions and manages the growth and profitability of the business. This change corresponds with management's current approach of allocating costs and resources and assessing the performance of our segments. We report our segment information in accordance with the provisions of FASB Accounting Standards Codification ("ASC") Topic 280, "Segment Reporting." There has been no change in our total condensed consolidated financial condition or results of operations previously reported as a result of the change in our segment structure. There were no changes to the reportable segment assets as a result of the change in segment reporting.

As a result, our new segment reporting structure consists of three reportable segments and an "Other" category and is as follows:

Food Care;
Diversey Care;
Product Care; and
Other (includes Corporate, Medical Applications and New Ventures businesses)

Our Food Care, Diversey Care and Product Care segments are considered reportable segments under FASB ASC Topic 280. Our reportable segments are aligned with similar groups of products. Other includes Corporate and the Medical Applications and New Ventures businesses. The Medical Applications and New Ventures businesses were previously included in the Company's "Other Category." Corporate which is included in Other includes certain costs that are not allocated to the reportable segments, primarily consisting of corporate overhead costs, including administrative functions and cost recovery variances not allocated to the reportable segments from global functional expenses.

Other also includes all items we categorize as special or unusual items that are reported in the condensed consolidated statements of operations. These “special items” primarily consist of restructuring and other associated costs, expenses related to stock appreciation rights (“SARs”), which were issued in connection with the acquisition of Diversey in 2011, losses on debt redemptions, foreign currency exchange gains/losses related to Venezuelan subsidiaries and other one-time expenses and/or gains.

As of January 1, 2014, we also changed the segment performance measure in which the chief operating decision maker (“CODM”), our Chief Executive Officer, assesses segment performance and makes allocation decisions by segment from operating profit (a U.S. GAAP financial measure) to 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. See “Use of Non-U.S. GAAP Information” above for further information of our use of non-U.S. GAAP measures.

We allocate and disclose depreciation and amortization expense to our segments, although property and equipment, net is not allocated to the segment assets, nor is depreciation and amortization included in the segment performance metric Adjusted EBITDA. We also disclose restructuring and other charges by segment, although it is not included in the segment performance metric Adjusted EBITDA since restructuring and other charges is categorized as a special item as discussed above. The accounting policies of the reportable segments and Other are the same as those applied to the condensed consolidated financial statements.

The changes in our segment structure and segment performance measure better provides the CODM with information to assess segment performance and to make resource and allocation decisions, as the new segment structure and performance measure reflect the current management of our businesses. Accordingly, the new measure will also assist our investors by providing them with a better understanding of the segment so that the user can make a more informed decision about the Company, which is consistent with FASB ASC Topic 280.

The following tables show net sales and Adjusted EBITDA by our segment reporting structure:

	Three Months Ended September,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Sales:				
Food Care	$983.4	$951.0	$2,849.9	$2,801.1
As a % of Total Company net sales	49.8 %	49.7 %	49.3 %	49.3 %
Diversey Care	550.8	532.0	1,637.2	1,614.9
As a % of Total Company net sales	27.9 %	27.8 %		