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Pactiv Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. We will now be conducting a question-and-answer session. (Operator instructions) Our first question is coming from the line of Ghansham Panjabi. Please state your company name before you proceed with your question.

Ghansham Panjabi – Wachovia Securities

Hi, guys. Good morning. Wachovia Securities.

Richard Wambold

Good morning, Ghansham.

Ghansham Panjabi – Wachovia Securities

Hi. Could you give us some color on the specific sub segments within food service packaging from a volume perspective grocery, fast food, institutional, or however you care to break it out?

Richard Wambold

Well, we don't typically break it out. But let me give you a sense of what's going on. If you looked at – if you look at the fourth quarter, the fourth quarter saw the classic distributor type business, what we call food service distributor type business, was weaker than some of our other areas. And I think that's principally because that's where you would tend to find the lost inventory. That's where de-stocking will tend to affect you the most.

In fact, if you look at the Technomic forecast for 2009 and look at what they're saying, they actually think that will be a stronger segment 2009. They're saying it ought to be 2.5% negative in real terms. So I think what we saw really in that figure segment was a more active de-stocking program that you would find in the others. Because typically, they don't buy ahead and they don't stock.

Supermarket was strong. And many of our – which we would think of as our multi-service restaurants, were also pretty strong in the fourth quarter. So most of the decline that we saw – the strongest decline that we saw was really where the inventories were high.

Ghansham Panjabi -Wachovia Securities

Okay. And just as a follow up, looking at guidance for 2009, from a volume perspective, the 24% decline you're assuming, does that imply that the end markets are probably worse than that given that you're taking shares in those areas?

Richard Wambold

Yes. I think it does imply that. And we tend to take into account in our business that, well, the food service market itself has been pretty decent. It tends to fluctuate with unemployment levels. And so, as this recession matures and we start to see peak unemployment levels, we think it would be impacted somewhat more. And that's where we tend to be a little bit more negative in – perhaps conservative, but a little bit more negative in terms of the volume aspects. We still think we're ahead of the game. We still think we're in market share gain position. But we do believe that that segment usually will tend to reflect what's going on in employment. And the papers haven't been given that regard as play.

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