



# Sonoco 3<sup>rd</sup> Quarter 2018 Results

Investor Presentation  
September 2018



# Forward-Looking Statements / Non-GAAP Financial Measures

Today's presentation contains a number of forward-looking statements based on current expectations, estimates and projections. These statements are not guarantees of future performance and are subject to certain risks and uncertainties. Therefore, actual results may differ materially.

Information about the Company's use of non-GAAP financial measures, why management believes presentation of non-GAAP financial measures provides useful information to investors about the Company's financial condition and results of operations, and the purposes for which management uses non-GAAP financial measures is included in the Company's Annual Report and on the Company's website at [sonoco.com](http://sonoco.com) under Investor Relations, Webcasts & Presentations, Non-GAAP Reconciliations for Q3 2018 Earnings Presentation.

Pursuant to the requirements of Regulation G, the Company has provided definitions of the non-GAAP measures discussed during this presentation as well as reconciliations of those measures to the most closely related GAAP measure on its website at [sonoco.com](http://sonoco.com).

This presentation does not constitute the solicitation of the purchase or sale of any securities.

# EPS Summary

3rd Quarter: 2018 Vs. 2017

	3rd Quarter		Year To Date	
	2018	2017	2018	2017
<b>Actual EPS</b>	\$ 0.72	\$ 0.72	\$ 2.34	\$ 1.68
<b>Addback for:</b>				
Restructuring & Asset Impair, Net	0.16	—	0.21	0.08
Pension Settlement Expense	—	—	0.01	0.19
Transaction Costs / Other	(0.02)	0.04	(0.03)	0.12
<b>Base EPS*</b>	\$ 0.86	\$ 0.76	\$ 2.53	\$ 2.07
*Due to rounding individual items may not sum down				
<b>Sonoco Guidance</b>	\$0.82 to \$0.88		\$2.49 to \$2.55	



# P&L Summary (Base)

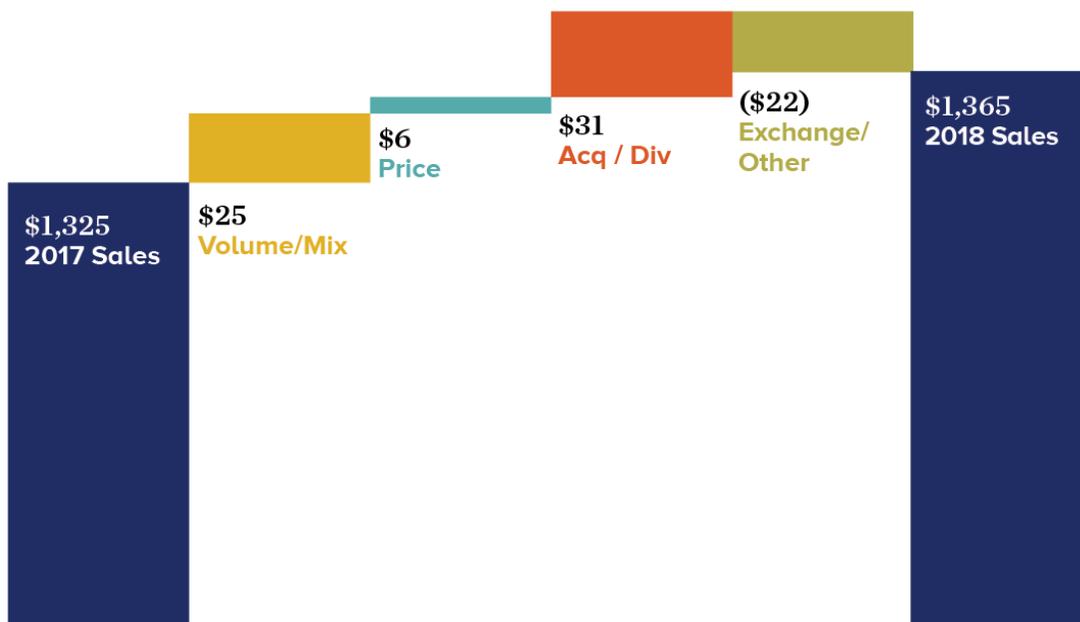
3rd Quarter: 2018 Vs. 2017  
(Dollars in thousands)

	2018	2017	Better / (Worse)	
			\$	%
Net sales	\$ 1,364,762	\$ 1,324,634	\$ 40,128	3.0%
Cost of sales	(1,105,126)	(1,071,755)	(33,371)	(3.1)%
Gross profit	259,636	252,879	6,757	2.7%
Selling, general and administrative expenses	(135,580)	(126,945)	(8,635)	(6.8)%
Operating profit	124,056	125,934	(1,878)	(1.5)%
Non-operating pension income (costs)	122	(2,674)	2,796	100.0%
Net interest	(14,502)	(13,647)	(855)	(6.3)%
Income before income taxes	109,676	109,613	63	0.1%
Provision for income taxes	(25,927)	(34,910)	8,983	25.7%
Income before equity in earnings of affiliates	83,749	74,703	9,046	12.1%
Equity in earnings of affiliates, net of tax	4,049	2,521	1,528	60.6%
Net income	87,798	77,224	10,574	13.7%
Noncontrolling interests	(433)	(620)	187	30.2%
Net income attributable to Sonoco	\$ 87,365	\$ 76,604	\$ 10,761	14.0%
EPS diluted	\$ 0.86	\$ 0.76	\$ 0.10	13.6%
Gross profit %	19.0%	19.1%		
SG&A %	9.9%	9.6%		
Operating profit %	9.1%	9.5%		
Effective tax rate	23.6%	31.8%		

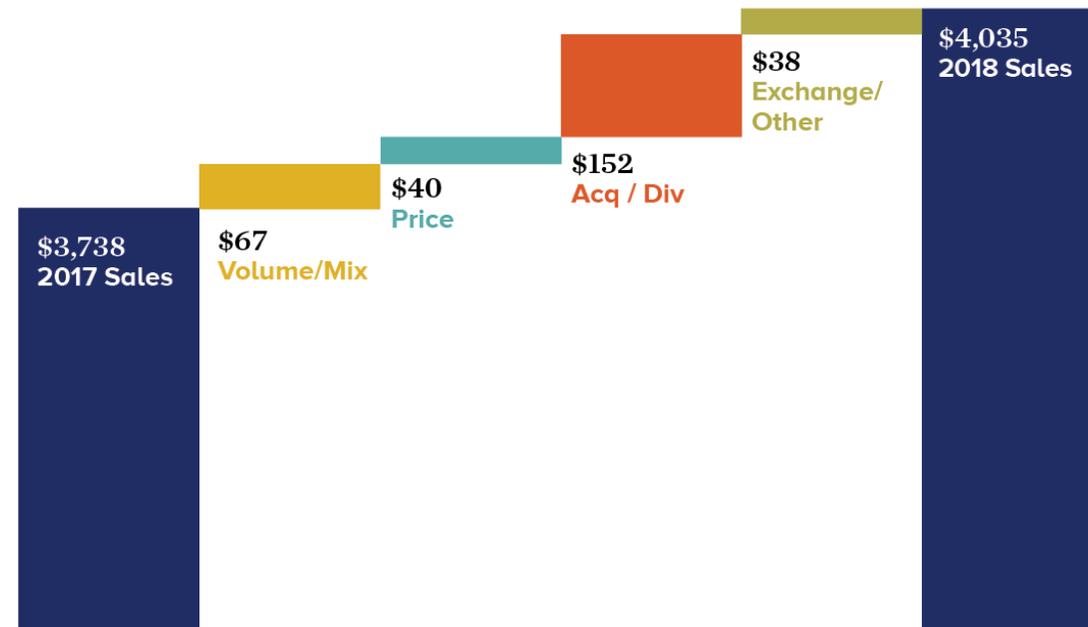
# Sales Bridge

3rd Quarter and YTD: 2018 Vs. 2017  
(Dollars in millions)

**Sales Bridge**  
**3rd Quarter: 2018 Vs. 2017**  
(Dollars in millions)



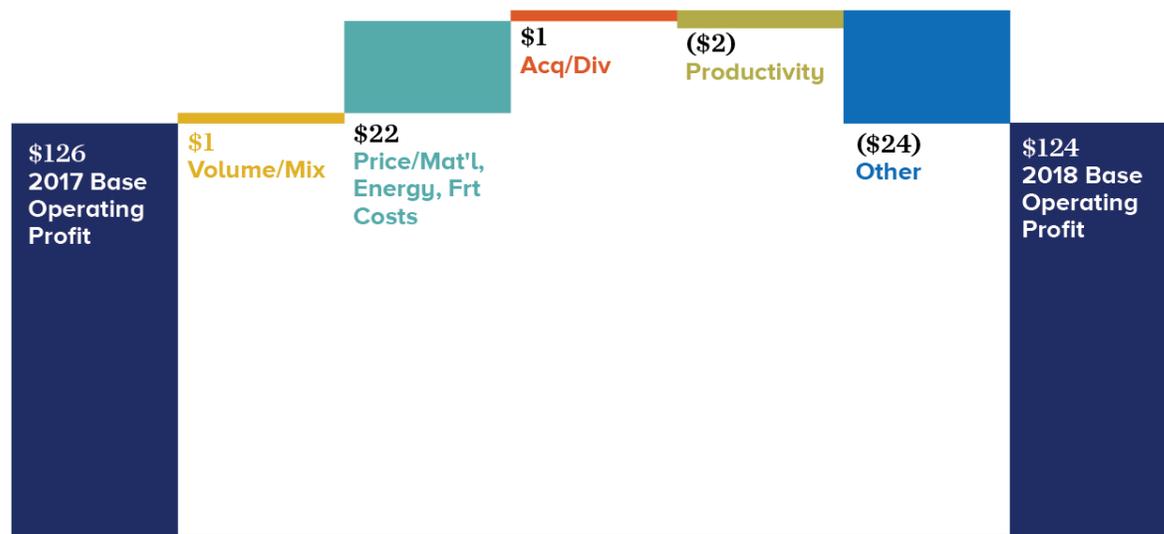
**Sales Bridge**  
**YTD: 2017 Vs. 2018**  
(Dollars in millions)



# Base Operating Profit Bridge

3rd Quarter and YTD: 2018 Vs. 2017  
(Dollars in millions)

**Base Operating Profit Bridge**  
**3rd Quarter: 2018 Vs. 2017**  
(Dollars in millions)



**Base Operating Profit Bridge**  
**YTD: 2017 Vs. 2018**  
(Dollars in millions)



# Segment Analysis

3rd Quarter: 2018 Vs. 2017

(Dollars in thousands)

	NET SALES			BASE OPERATING PROFIT			
	2018	2017	% Chg	2018	2017	% Chg	
Consumer Packaging	\$ 600,154	\$ 565,788	6.1%	\$ 56,014	\$ 68,922	(18.7)%	
Display & Packaging	165,164	135,560	21.8%	3,703	1,993	85.8%	
Paper & Ind Conv Prods	463,748	483,376	(4.1)%	53,906	43,696	23.4%	
Protective Solutions	135,696	139,910	(3.0)%	10,433	11,323	(7.9)%	
	<u>\$ 1,364,762</u>	<u>\$ 1,324,634</u>	<u>3.0%</u>	<u>\$ 124,056</u>	<u>\$ 125,934</u>	<u>(1.5)%</u>	
				OPERATING PROFIT AS % OF SALES		MARGIN CHANGE	
				Consumer Packaging	9.3%	12.2%	(2.8)%
				Display & Packaging	2.2%	1.5%	0.8%
				Paper & Ind Conv Prods	11.6%	9.0%	2.6%
				Protective Solutions	7.7%	8.1%	(0.4)%
					<u>9.1%</u>	<u>9.5%</u>	<u>(0.4)%</u>

# Earnings Guidance

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
2017 Base EPS	\$0.59	\$0.71	\$0.76	\$0.72	\$2.79
2018 Base EPS	\$0.74	\$0.93	\$0.86		
2018 Guidance	\$0.69 - \$0.75	\$0.83 - \$0.89	\$0.82- \$0.88	\$0.75- \$0.81	\$3.28 - \$3.34

# Cash Flow

Year to date: 2018 Vs. 2017  
(Dollars in thousands)

	Year To Date	
	2018	2017
<b>Net income</b>	\$ 237,390	\$ 171,397
Asset impairment charges / Losses on disposition of assets	9,649	2,319
Depreciation, depletion and amortization	176,895	159,130
Pension Expense	25,736	66,245
Pension Contributions	(27,339)	(52,549)
Changes in working capital	(22,087)	(56,552)
Changes in tax accounts	(6,953)	(4,012)
Other operating activity	58,225	(4,973)
<b>Operating cash flow</b>	\$ 451,516	\$ 281,005
Capital expenditures net of dispositions	(111,976)	(140,995)
Cash dividends	(120,651)	(114,368)
<b>Free cash flow</b>	\$ 218,889	\$ 25,642
Cost of acquisitions, net of cash acquired	\$ (150,995)	\$ (383,358)
Net debt proceeds / (Repayments)	(55,451)	338,137

# Hurricane Florence By the Numbers



- 11 inches of rainfall in Hartsville; up to 25 inches in the Black Creek watershed
- 60 inches of standing water in the mill
- 7.2 billion gallons of water released in 48 hours through Sonoco's Dam on Black Creek
- 7 paper machines flooded (425,000 tons/year capacity)
- 500 wet motors (repaired or replaced)
- 850 mill associates and contractors working 24/7
- Mill operations in Hartsville lost 22,300 tons of URB and corrugated medium paper production in September
- Negative earnings impact from Hurricane Florence through the end of the 3Q was \$.04 per diluted share
- Expect additional \$.02 to \$.03 per diluted share impact in 4Q 2018





# Appendix



# Balance Sheet

(Dollars in thousands)

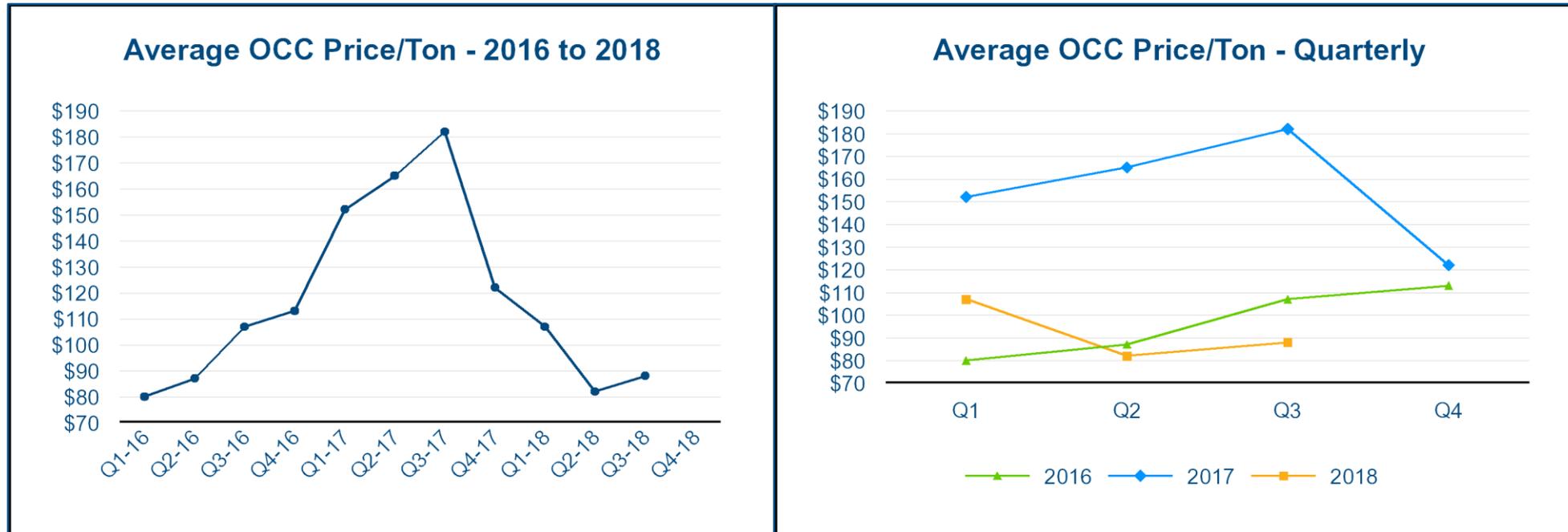
	09/30/2018	12/31/2017	Change \$
Cash and cash equivalents	\$ 250,424	\$ 254,912	\$ (4,488)
Trade accounts receivable, net of allowances	775,054	725,251	49,803
Other receivables	93,470	64,561	28,909
Inventories	467,239	474,063	(6,824)
Prepaid expenses and deferred income taxes	64,318	44,849	19,469
<b>Current Assets</b>	<b>\$ 1,650,505</b>	<b>\$ 1,563,636</b>	<b>\$ 86,869</b>
Property, plant and equipment, net	1,140,113	1,169,377	(29,264)
Goodwill	1,285,368	1,241,875	43,493
Other intangible assets, net	340,824	331,295	9,529
Other assets	241,824	251,538	(9,714)
<b>Total Assets</b>	<b>\$ 4,658,634</b>	<b>\$ 4,557,721</b>	<b>\$ 100,913</b>
Payable to suppliers and others	904,896	831,664	73,232
Income taxes payable	15,589	8,979	6,610
Total debt	1,386,577	1,447,329	(60,752)
Pension and other postretirement benefits	335,379	355,187	(19,808)
Deferred income taxes and other	183,263	184,502	(1,239)
Total equity	1,832,930	1,730,060	102,870
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 4,658,634</b>	<b>\$ 4,557,721</b>	<b>\$ 100,913</b>
Net debt / Total capital	38.3%	40.8%	

Net debt = Total debt minus cash and cash equivalents

Total capital = Net debt plus total equity

# OCC: Official Board Market

3rd Quarter: 2018 Vs. 2017 Vs. 2016  
(Price/Ton)



	1st Quarter				2nd Quarter				3rd Quarter				4th Quarter			
	J	F	M	Avg	A	M	J	Avg	J	A	S	Avg	O	N	D	Avg
2016	80	80	80	80	80	85	95	87	100	110	110	107	110	110	120	113
2017	125	145	185	152	175	155	165	165	185	185	175	182	135	115	115	122
2018	115	110	95	107	85	80	80	82	85	90	90	88	90			



# P&L Summary (Base)

Year to date: 2018 Vs. 2017

(Dollars in thousands)

	2018	2017	Better / (Worse)	
			\$	%
Net sales	\$ 4,035,322	\$ 3,737,632	\$ 297,690	8.0%
Cost of sales	(3,248,624)	(3,023,397)	(225,227)	(7.4)%
Gross profit	786,698	714,235	72,463	10.1%
Selling, general and administrative expenses	(411,093)	(369,530)	(41,563)	(11.2)%
Operating Profit	375,605	344,705	30,900	9.0%
Non-operating pension income (costs)	545	(9,696)	10,241	100.0%
Net interest	(42,984)	(38,497)	(4,487)	(11.7)%
Income before income taxes	333,166	296,512	36,654	12.4%
Provision for income taxes	(84,805)	(93,754)	8,949	9.5%
Income before equity in earnings of affiliates	248,361	202,758	45,603	22.5%
Equity in earnings of affiliates, net of tax	9,012	7,320	1,692	23.1%
Net income	257,373	210,078	47,295	22.5%
Noncontrolling interests	(1,556)	(1,762)	206	11.7%
Net income attributable to Sonoco	\$ 255,817	\$ 208,316	\$ 47,501	22.8%
EPS diluted	\$ 2.53	\$ 2.07	\$ 0.47	22.6%
Gross Profit %	19.5%	19.1%		
SG&A %	10.2%	9.9%		
EBIT %	9.3%	9.2%		
Effective tax rate	25.5%	31.6%		

# Segment Analysis

Year to date: 2018 Vs. 2017

(Dollars in thousands)

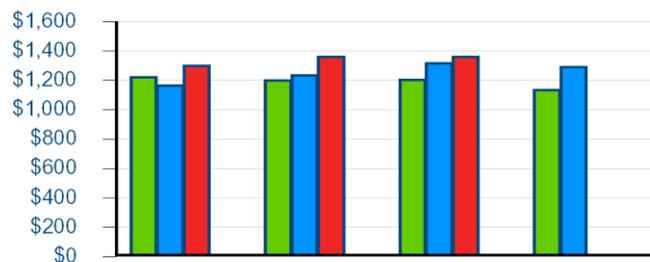
	NET SALES			SEGMENT OPERATING PROFIT		
	2018	2017	% Chg	2018	2017	% Chg
Consumer Packaging	\$ 1,786,068	\$ 1,569,231	13.8%	\$ 180,772	\$ 188,758	(4.2)%
Display & Packaging	451,082	365,807	23.3%	4,865	6,694	(27.3)%
Paper & Ind Conv Prods	1,398,538	1,395,075	0.2%	155,229	115,983	33.8%
Protective Solutions	399,634	407,519	(1.9)%	34,739	33,270	4.4%
	<u>\$ 4,035,322</u>	<u>\$ 3,737,632</u>	<u>8.0%</u>	<u>\$ 375,605</u>	<u>\$ 344,705</u>	<u>9.0%</u>

	SEGMENT OPERATING PROFIT AS % OF SALES		MARGIN CHANGE
Consumer Packaging	10.1%	12.0%	(1.9)%
Display & Packaging	1.1%	1.8%	(0.8)%
Paper & Ind Conv Prods	11.1%	8.3%	2.8%
Protective Solutions	8.7%	8.2%	0.5%
	<u>9.3%</u>	<u>9.2%</u>	<u>0.1%</u>

# Base Results

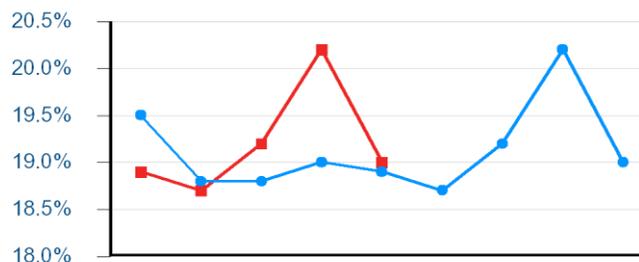
Third Quarter: 2018 Vs. 2017 Vs. 2016

### Net Sales \$MM



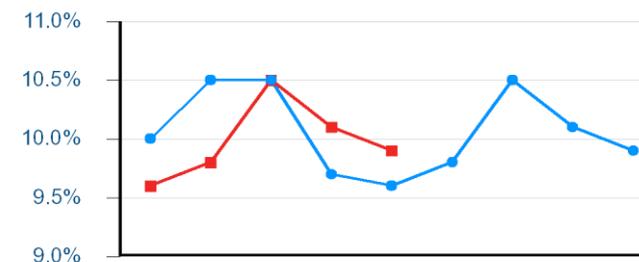
	1Q	2Q	3Q	4Q	Total
2016	\$1,226	\$1,206	\$1,209	\$1,142	\$4,964
2017	\$1,172	\$1,241	\$1,325	\$1,299	\$4,783
2018	\$1,304	\$1,366	\$1,365		\$5,037

### Gross Profit %



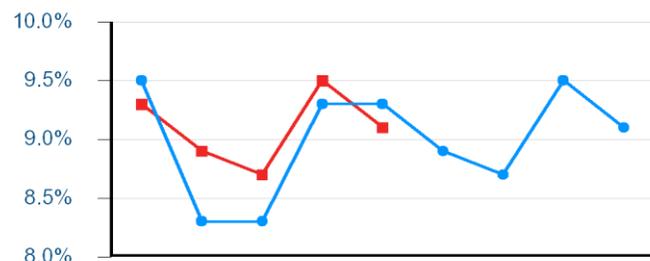
	3Q-16	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17	1Q-18	2Q-18	3Q-18
Hist	19.5%	18.8%	18.8%	19.0%	18.9%	18.7%	19.2%	20.2%	19.0%
Vs PY	18.9%	18.7%	19.2%	20.2%	19.0%				

### S&A/OIC %



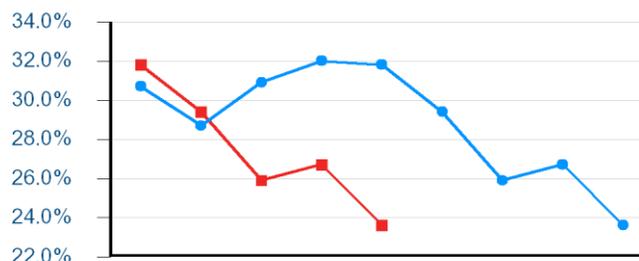
	3Q-16	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17	1Q-18	2Q-18	3Q-18
Hist	10.0%	10.5%	10.5%	9.7%	9.6%	9.8%	10.5%	10.1%	9.9%
Vs PY	9.6%	9.8%	10.5%	10.1%	9.9%				

### Base Operating Profit %



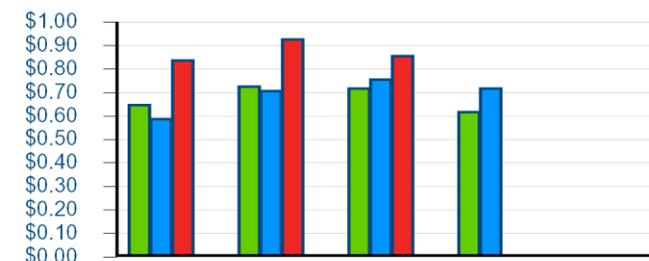
	3Q-16	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17	1Q-18	2Q-18	3Q-18
Hist	9.5%	8.3%	8.3%	9.3%	9.3%	8.9%	8.7%	9.5%	9.1%
Vs PY	9.3%	8.9%	8.7%	9.5%	9.1%				

### Tax Rate %



	3Q-16	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17	1Q-18	2Q-18	3Q-18
Hist	30.7%	28.7%	30.9%	32.0%	31.8%	29.4%	25.9%	26.7%	23.6%
Vs PY	31.8%	29.4%	25.9%	26.7%	23.6%				

### Base EPS \$



	1Q	2Q	3Q	4Q	Total
2016	\$0.54	\$0.68	\$0.65	\$0.64	\$2.51
2017	\$0.65	\$0.73	\$0.72	\$0.62	\$2.72
2018	\$0.74	\$0.93	\$0.86		\$2.53

