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Sonoco Second Quarter 2017 Results

Investor Presentation
July 20, 2017



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 under Investor Relations, Webcasts & Presentations, Non-GAAP Reconciliations for Q2 2017 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.

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



EPS Summary

2nd Quarter: 2017 Vs. 2016

	2nd Quarter		Year To Date	
	2017	2016	2017	2016
Actual EPS	\$ 0.43	\$ 0.55	\$ 0.96	\$ 1.14
Addback for:				
Restructuring & Asset Impair, Net	0.06	0.17	0.08	0.24
Pension Settlement Expense	0.19	—	0.19	—
Acquisition Costs / Other	0.03	0.01	0.08	0.01
Base EPS	\$0.71	\$0.73	\$1.31	\$1.38
Sonoco Guidance	\$0.67 to \$0.73			

P&L Summary (Base)

2nd Quarter: 2017 Vs. 2016

(Dollars in thousands)

	2017	2016	Better / (Worse)	
			\$	%
Net sales	\$ 1,240,674	\$ 1,205,680	\$ 34,994	2.9%
Cost of sales	(1,004,799)	(963,667)	(41,132)	(4.3)%
Gross profit	235,875	242,013	(6,138)	(2.5)%
Selling, general and administrative expenses	(120,903)	(125,774)	4,871	3.9%
Income before interest and taxes (EBIT)	114,972	116,239	(1,267)	(1.1)%
Net interest	(12,792)	(13,544)	752	5.6%
Income before income taxes	102,180	102,695	(515)	(0.5)%
Provision for income taxes	(32,652)	(30,448)	(2,204)	(7.2)%
Income before equity in earnings of affiliates	69,528	72,247	(2,719)	(3.8)%
Equity in earnings of affiliates, net of tax	2,845	2,928	(83)	(2.8)%
Net income	72,373	75,175	(2,802)	(3.7)%
Noncontrolling interests	(543)	(504)	(39)	(7.7)%
Net income attributable to Sonoco	\$ 71,830	\$ 74,671	\$ (2,841)	(3.8)%
EPS diluted	\$ 0.71	\$ 0.73	\$ (0.02)	(2.7)%
Gross profit %	19.0%	20.1%		
SG&A %	9.7%	10.4%		
EBIT %	9.3%	9.6%		
Effective tax rate	32.0%	29.6%		



Sales Bridge

2nd Quarter and YTD: 2017 Vs. 2016
(Dollars in millions)

	<u>Q2-2017</u>	<u>YTD 2017</u>
2016 Sales	\$ 1,206	\$ 2,432
Volume / Mix	(23)	(53)
Price	51	84
Acq / Div	16	(18)
Exchange / Other	(9)	(32)
2017 Sales	\$ 1,241	\$ 2,413

Base EBIT Bridge

2nd Quarter and YTD: 2017 Vs. 2016

(Dollars in millions)

	<u>Q2-2017</u>	<u>YTD 2017</u>
2016 Base EBIT	\$ 116	\$ 228
Volume / Mix	(5)	(14)
Price / Mat'l, Energy, Frt Costs	2	(2)
Acq / Div	0	(6)
Productivity	2	1
Other	0	7
Pension	0	(2)
2017 Base EBIT	<u>\$ 115</u>	<u>\$ 212</u>



Segment Analysis

2nd Quarter: 2017 Vs. 2016

(Dollars in thousands)

	NET SALES			BASE EBIT		
	2017	2016	% Chg	2017	2016	% Chg
Consumer Packaging	\$ 521,262	\$ 511,007	2.0%	\$ 59,063	\$ 59,509	(0.7)%
Display & Packaging	115,612	130,874	(11.7)%	1,444	5,030	(71.3)%
Paper & Ind Conv Prods	469,197	433,342	8.3%	43,513	37,480	16.1%
Protective Solutions	134,603	130,457	3.2%	10,952	14,220	(23.0)%
	<u>\$ 1,240,674</u>	<u>\$ 1,205,680</u>	<u>2.9%</u>	<u>\$ 114,972</u>	<u>\$ 116,239</u>	<u>(1.1)%</u>

	EBIT AS % OF SALES		MARGIN CHANGE
Consumer Packaging	11.3%	11.6%	(0.3)%
Display & Packaging	1.2%	3.8%	(2.6)%
Paper & Ind Conv Prods	9.3%	8.6%	0.7%
Protective Solutions	8.1%	10.9%	(2.8)%
	<u>9.3%</u>	<u>9.6%</u>	<u>(0.3)%</u>

Earnings Guidance

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
2016 Base EPS	\$0.65	\$0.73	\$0.72	\$0.62	\$2.72
2017 Base EPS	\$0.59	\$0.71			
2017 Guidance*	\$0.55 - \$0.63	\$0.67 - \$0.73	\$0.71 - \$0.77		\$2.73 - \$2.80

* Including impact of acquisitions

Cash Flow

Year to date: 2017 Vs. 2016

(Dollars in thousands)

	Year To Date	
	2017	2016
Net income	\$ 97,986	\$ 116,908
Asset impairment charges / Losses on disposition of assets	1,771	15,490
Depreciation, depletion and amortization	103,649	105,530
Net pension and postretirement plan expenses	6,649	(13,403)
Changes in working capital	(56,049)	(64,024)
Changes in tax accounts	(22,576)	15,769
Other operating activity	(27,148)	9,779
Operating cash flow	\$ 104,282	\$ 186,049
Capital expenditures net of dispositions	(96,846)	(103,616)
Cash dividends	(75,604)	(72,679)
Free cash flow	\$ (68,168)	\$ 9,754
Cost of acquisitions, net of cash acquired	\$ (217,489)	\$ (863)
Net debt proceeds / (Repayments)	232,902	(47,891)
Share repurchases	—	(37,931)

Grow & Optimize



Appendix

P&L Summary (Base)

Year to date: 2017 Vs. 2016

(Dollars in thousands)

	2017	2016	Better / (Worse)	
			\$	%
Net sales	\$ 2,412,998	\$ 2,431,956	\$ (18,958)	(0.8)%
Cost of sales	(1,956,901)	(1,944,690)	(12,211)	(0.6)%
Gross profit	456,097	487,266	(31,169)	(6.4)%
Selling, general and administrative expenses	(244,348)	(259,556)	15,208	5.9%
Income before interest and taxes (EBIT)	211,749	227,710	(15,961)	(7.0)%
Net interest	(24,850)	(27,331)	2,481	9.1%
Income before income taxes	186,899	200,379	(13,480)	(6.7)%
Provision for income taxes	(58,848)	(62,669)	3,821	6.1%
Income before equity in earnings of affiliates	128,051	137,710	(9,659)	(7.0)%
Equity in earnings of affiliates, net of tax	4,799	4,267	532	12.5%
Net income	132,850	141,977	(9,127)	(6.4)%
Noncontrolling interests	(1,142)	(787)	(355)	(45.1)%
Net income attributable to Sonoco	\$ 131,708	\$ 141,190	\$ (9,482)	(6.7)%
EPS diluted	\$ 1.31	\$ 1.38	\$ (0.07)	(5.1)%
Gross Profit %	18.9%	20.0%		
SG&A %	10.1%	10.7%		
EBIT %	8.8%	9.4%		
Effective tax rate	31.5%	31.3%		



Segment Analysis

Year to date: 2017 Vs. 2016

(Dollars in thousands)

	NET SALES			SEGMENT OPERATING PROFIT		
	2017	2016	% Chg	2017	2016	% Chg
Consumer Packaging	\$ 1,003,443	\$ 1,038,345	(3.4)%	\$ 117,073	\$ 122,374	(4.3)%
Display & Packaging	230,247	275,141	(16.3)%	4,627	8,311	(44.3)%
Paper & Ind Conv Prods	911,699	856,416	6.5%	68,236	70,779	(3.6)%
Protective Solutions	267,609	262,054	2.1%	21,813	26,246	(16.9)%
	<u>\$ 2,412,998</u>	<u>\$ 2,431,956</u>	<u>(0.8)%</u>	<u>\$ 211,749</u>	<u>\$ 227,710</u>	<u>(7.0)%</u>

	SEGMENT OPERATING PROFIT AS % OF SALES	MARGIN CHANGE	
Consumer Packaging	11.7%	11.8%	(0.1)%
Display & Packaging	2.0%	3.0%	(1.0)%
Paper & Ind Conv Prods	7.5%	8.3%	(0.8)%
Protective Solutions	8.2%	10.0%	(1.8)%
	<u>8.8%</u>	<u>9.4%</u>	<u>(0.6)%</u>

Balance Sheet

(Dollars in thousands)

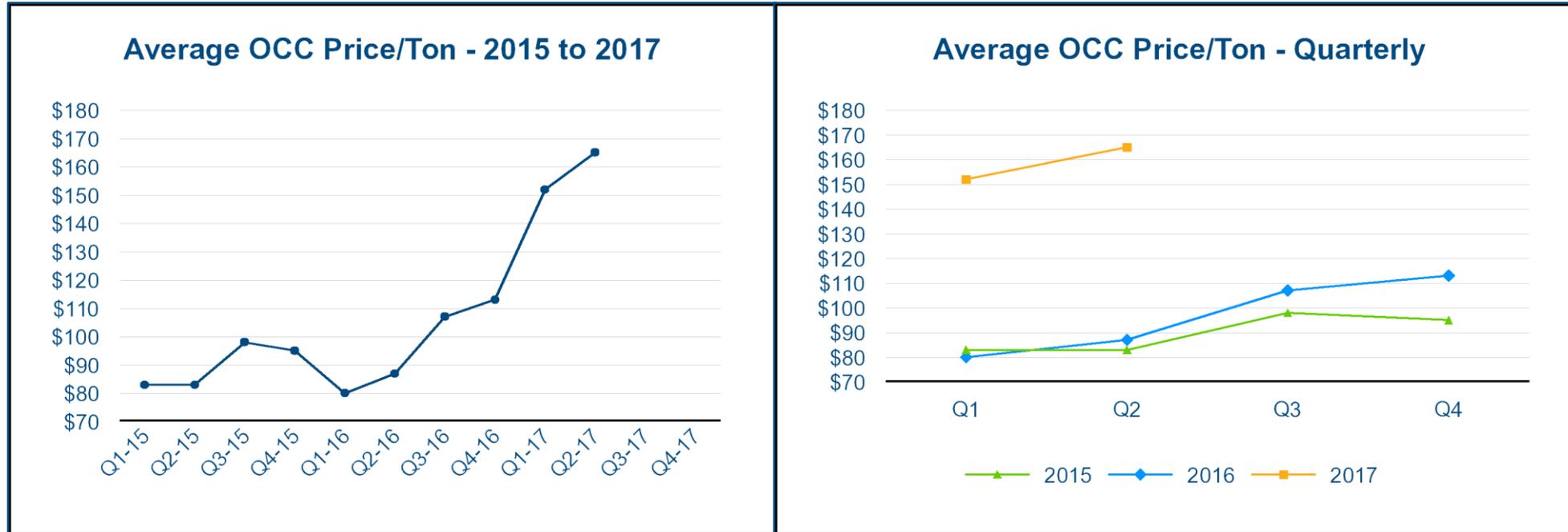
	<u>7/2/2017</u>	<u>12/31/2016</u>	<u>Change \$</u>
Cash and cash equivalents	\$ 207,591	\$ 257,226	\$ (49,635)
Trade accounts receivable, net of allowances	716,312	625,411	90,901
Other receivables	41,179	43,553	(2,374)
Inventories	439,353	372,814	66,539
Prepaid expenses and deferred income taxes	60,542	49,764	10,778
Current Assets	<u>\$ 1,464,977</u>	<u>\$ 1,348,768</u>	<u>\$ 116,209</u>
Property, plant and equipment, net	1,150,990	1,060,017	90,973
Goodwill	1,177,563	1,092,215	85,348
Other intangible assets, net	274,319	224,958	49,361
Other assets	224,894	197,245	27,649
Total Assets	<u>\$ 4,292,743</u>	<u>\$ 3,923,203</u>	<u>\$ 369,540</u>
Payable to suppliers and others	778,353	751,827	26,526
Income taxes payable	10,690	18,744	(8,054)
Total debt	1,307,710	1,052,743	254,967
Pension and other postretirement benefits	398,251	447,339	(49,088)
Deferred income taxes and other	115,947	97,845	18,102
Total equity	1,681,792	1,554,705	127,087
Total Liabilities and Shareholders' Equity	<u>\$ 4,292,743</u>	<u>\$ 3,923,203</u>	<u>\$ 369,540</u>
Net debt / Total capital	39.5%	33.8%	

Net debt = Total debt minus cash and cash equivalents
 Total capital = Net debt plus total equity



OCC: Official Board Market

2nd Quarter: 2017 Vs. 2016 Vs. 2015
(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
2015	90	80	80	83	80	80	90	83	95	100	100	98	100	95	90	95
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	-	-	-	-	-	-	-

