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SON - Q2 2016 Sonoco Products Co Earnings Call

EVENT DATE/TIME: JULY 21, 2016 / 3:00PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Sonoco second-quarter 2016 earnings conference call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mr. Roger Schrum, Vice President of Investor Relations. Sir, you may begin.

Roger Schrum - *Sonoco - VP, IR and Corporate Affairs*

Thank you, Tamara. Good morning, everyone, and welcome to Sonoco's investor conference call to discuss our financial results for the second quarter of 2016. This call is being conducted on July 21, 2016.

Joining me today are Jack Sanders, President and Chief Executive Officer, and Barry Saunders, Chief Financial Officer. A news release reporting our financial results was issued before the market opened today and is available on the Investor Relations section of our website at sonoco.com.

In addition, we will be referencing a presentation on the second quarter's results which was posted on the Investor Relations site also this morning.

Before we go further, let me remind you that today's call and 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.

Furthermore, today's presentation includes the use of non-GAAP financial measures which management believes provides useful information to investors about the Company's financial condition and the results of operations. Further information about the Company's use of non-GAAP financial measures, including definitions and reconciliations of those measures to the most closely related GAAP measure, is also available in the Investor Relations section of our website.

Now, with that, I will turn it over to Barry.

Barry Saunders - *Sonoco - SVP and CFO*

Thank you, Roger. I will begin on slide 3 where you see that this morning we reported 2016 second-quarter earnings per share on a GAAP basis of $0.55 and base earnings of $0.73, which is above the top end of our base guidance of $0.65 to $0.70, all of which compares to base earnings of $0.68 for the same period last year.

Earnings for the quarter were stronger than the top side of our guidance, due primarily to a slightly lower effective tax rate, as well as some slightly lower operating costs. The differences between GAAP and base earnings are discussed in our press release and on our website, but in summary, the difference is due to charges associated with the disposition of a paper mill in France and other restructuring charges associated with some plant consolidation opportunities and other organizational changes as part of our fixed cost reduction efforts.

On slide 4, you find our base income statement where you see sales were $1,206,000,000, down $42.9 million from the prior year, and you will see all of the moving pieces in the sales bridge in just a moment. Gross profit was $242 million, up $1.7 million from the prior year, while our gross profit margin percent was once again very strong at 20.1% for the quarter compared to 19.2% for the same quarter last year.

Selling, general, and administrative and other income and expense items was $125.8 million, which was down $3.4 million from last year, due to fixed cost reduction efforts, the impact of exchange and lower pension costs, which more than then offset normal inflation on such costs. All, then, resulting in base EBIT of $116.2 million, up $5.1 million from the prior year. And, again, you will see all the drivers of the change in the EBIT bridge in just a moment.

Below EBIT interest of $13.5 million was essentially unchanged from the prior year, income taxes of $30.5 million were lower than last year, even with the higher pretax income as the effective tax rate for the quarter was 29.6%, due to a few discrete tax adjustments booked in the quarter.

Equity and affiliates, when combined with minority interest, was $2.4 million and similar to last year, thus ending up with base earnings of $74.7 million or $0.73 per share.

Turning to the sales bridge on slide 5, you see the volume growth added $9 million to the top line or right at 0.7% for the Company as a whole, versus our overall targeted growth of 2%. To add a few more specifics about volume, consumer packaging volume was actually down 1.6% as global composite cans and ends and global plastics were each down right at 2%, while flexibles volume was essentially flat year over year. Display and packaging volume was up 6.5%, excluding the impact of exiting the Irapuato pack center, which we reflected as a component of the exchange in other line item.

Much of the volume increase was associated with resale activities with a very low contribution.

Paper and industrial converted products volume was up overall 0.7% as we saw growth in tube and core volume in most all areas of the world, really other than Asia. Tube and core volume was up 0.5% in the US and Canada, up 14.5% in Latin America, excluding Brazil, and up 4% in Europe. Volume was up just over 2% in our uncoated recycled paperboard mills in the US and Canada as well. However, the increased volume in URB was more than offset by a 20% decline in corrugating medium sales.

And protective solutions had another good quarter with volume up 4.6%, driven by continued growth in temperature assured packaging. It is fair to say that the consumer shortfall was disappointing and really driven by a pretty significant drop off in June with a notable amount being related to customer downtime as many of our packaged food customers have reported difficult volume trends and are closely watching inventories.

Prices were unfavorable by $11 million for the quarter, almost all of which was in the consumer packaging segment associated primarily with lower commodity costs. The net impact of acquisitions added $1 million to sales as the addition from last year's flexible acquisition in Brazil was essentially offset by the disposition of the paper mill in France. Exchange and other was negative by $42 million, due primarily to translation associated with a slightly stronger dollar, as well as the impact of exiting the Irapuato pack center, which negatively impacted the top line by $16 million in the quarter.

Turning to the EBIT bridge on slide 6, here you see that the drop through impact of volume on EBIT was actually negative by $2 million, due to the mix of business, most notably having lower volume and consumer packaging while we experienced sales volume growth and display in packaging with much lower margins.

Price cost, including the benefit of procurement productivity, was once again favorable this quarter by $6 million, about a third of which was due to lower energy and freight costs. The overall price cost benefit was certainly pulled down by the corrugating medium machine where price cost was unfavorable year over year by $3.7 million.

Manufacturing productivity was essentially flat for the quarter and below our targeted levels. Again, the corrugating medium machine being a slow back mode has negatively impacted productivity, along with other plant consolidation initiatives in several businesses, but we are still expecting more sustained overall improvement at the shop floor level.

The change in all other on a year-over-year basis had a negative impact of only $2 million as the impact of normal inflation on everything other than materials and energy of $11 million and the negative impact of translation approximately $2 million at the EBIT level was largely offset by lower fixed cost spending, most notably associated with our fixed cost reduction efforts.

Since I just mentioned translation, I will go ahead and mention that the translation of earnings in foreign currencies negatively impacted year-over-year earnings by roughly $0.01 per share. And, as expected, pension costs were lower year over year or right at $3.4 million.

Turning to slide 7, you see our results by segment. For the consumer packaging segment, sales dollars were down 3.8% due to the lower volume, selling prices, and impact of translation, while EBIT improved by 3.4% due primarily to favorable price costs as the EBIT margin improved to a strong 11.6% versus 10.8% for the same period last year.

Display and packaging sales were lower, due most notably to the exiting of the Irapuato pack center, but EBIT improved notably due to price cost resulting in an improvement in the margins for the segment to 3.8%.

Paper and industrial converted products trade sales were down 3.5% as the benefit of the volume growth was more than offset by the impact of translation on the top line. And EBIT was down a similar 3.8% with the EBIT margin remaining relatively unchanged at 8.6%.

It is important to understand the year-over-year impact of the issues associated with the one corrugating medium machine, which due to lower volume, lower prices, and negative productivity, experienced a $7.2 million negative swing in EBIT year over year. The other businesses in the segment actually experienced a combined 16% improvement in earnings.

Protective solutions had another solid quarter with sales up 2.7% as the volume growth was partially offset by translation, while EBIT was up 4.5% and the margin improving further to 10.9%. All, then, resulting in the base EBIT margin for the company as a whole, improving to a very solid 9.6%.

Turning to the next page, you find our outlook for the third quarter and full year. In terms of our earnings outlook, we are projecting that base earnings will be in the range of $0.65 to $0.70 for the third quarter. This assumes no significant change in the overall level of economic activity. We are projecting the third quarter to not be quite as strong as the second due to a less favorable price cost variance, as well as slightly higher effective tax rate.

For the full year, our guidance for base earnings is updated to $2.68 to $2.74 per share.

Moving from earnings to cash flow on slide 9, cash from operations was right at $120 million for the quarter compared to $113 million last year. Capital spending for the quarter was $43 million, and we paid $37 million in dividends. Free cash flow for the quarter was right at $32 million.

On a year-to-date basis, we have lower free cash flow than last year due to last year's sale of two metal implants in the first quarter. For the full year, we are still targeting to deliver $140 million in free cash flow.

During the quarter, we used right at $23 million for share repurchases, bringing our year-to-date total to $38 million, and we expect to continue repurchasing shares through the balance of the year to complete the announced $100 million share repurchase program.

On the next page, you find our balance sheet for the quarter. I really won't spend a lot of time reviewing it other than just to mention a few things.

During the quarter, we completed a $150 million euro denominated five-year fixed rate private placement in Germany, which was used to repay the remaining term loan associated with the Weidenhammer acquisition, and $75 million was used to pay off the 5.625% bonds as they matured, thus seeing some reduction in cash and total debt as reflected on this balance sheet. Our net debt to total capital ratio remains unchanged at a very solid 38.2%.

That completes my review for the quarter, and Jack will now provide some additional comments.

Jack Sanders - *Sonoco - President and CEO*

Thanks, Barry. Let me make a few observations about our first-half performance and update you on initiatives to grow and optimize our business and conclude with what we see going into the second half.

I am extremely pleased with our record first-half results. Year-over-year basis earnings performance is up 13.4%, and we have achieved record quarter results for three consecutive quarters.

Our first-half gross profit margin is 120 basis points higher than the first half of 2015, and EBIT margins have risen 110 basis points to 9.4%. Operating profits for each of our businesses -- our four business segments are up year to date, led by the continued strong performances in our targeted growth segments of consumer packaging and protective solutions, while results in display and packaging and paper and industrial products are improving.

In consumer packaging, we have achieved seven consecutive record operating profit quarters, and our year-to-date operating margin is up 120 basis points.

Within the consumer packing segment, operating profits from global rigid paper containers is up about 9.5% year to date. In flexibles, operating profit is up 18%, and while results in our plastic operations are down slightly, our operating margins in plastics remain double-digit and ahead of forecast.

As mentioned, display and packaging operating profits for the first half of 2016 is up significantly from last year, due primarily to our work to resolve previously reported issues with a contract packaging center in Mexico. We have now exited this facility and have focused on growing this segment both domestically and internationally.

Switching to our paper and industrial product segment, operating profit for the first half of the year is up 6%, and absent market headwinds in our corrugated medium operations, results would have been significantly higher.

During the first half of 2016, we have seen volume improvements in tubes and cores in North America and in Europe, and our URB mills are having a solid year. We have reduced the operation -- we have reduced the operating schedule for our corrugated medium mill to match demand, and we continue to work to build orders and further reduce cost.

Additionally, we continue to seek a long-term solution for this mill, which is the only one we have that is not a part of our integrated URB operations. Protective solutions achieved its fifth consecutive record quarter, and operating profit is up 12.7% in the first half of 2016, while operating margin is a solid 10%, which is up 50 basis points from last year's first half.

As Barry mentioned, manufacturing productivity has been light for the first half of 2016, particularly in the second quarter. However, our total productivity efforts, which factors in supply management savings and fixed cost productivity, is ahead of our target for 2016 and reflected in our improved operating margins.

Manufacturing productivity is running behind historic levels due to several converging factors. Our efforts to consolidate our manufacturing footprint in both domestic and European composite can and tube and core businesses, the drag from our corrugated medium mill, and the startup of new or consolidating operations.

That said, we believe these consolidations should provide solid productivity savings over the longer term.

We also continue our efforts to optimize our portfolio for the successful sale of the paperboard mill in France and a retail packaging business in Puerto Rico. Both of these transactions were relatively small, but they demonstrate our commitment to build a stronger, more focused portfolio of businesses that combine higher margins and higher returns. We expect further actions to optimize the portfolio during 2016 and expect to utilize these proceeds to invest in growth projects or acquisitions.

Our growth projects remain on schedule, including adding composite can capacity to our plant in Kutno, Poland by adding a third can line, which should be operational in 2017; completing the installation of a new triplex laminator in our Morristown, Tennessee, flexible packaging plant; the startup of a new rotogravure press in our Waco, Texas flexible packaging facility; adding new portion control and food tray capacity to meet the growing customer demand in our thermoforming operations; and ramping up production of our new TruVue clear plastic can in anticipation of launching the product in about 400 retail grocery stores in the southeast US this fall.

Additionally, we were actively working with several other process food customers for TruVue development in 2017 and beyond.

Finally, let me address what we see heading into the second half. Clearly, our strong first-half performance has given us solid momentum toward meeting our full-year targets. As a result, we are raising the lower end of our base earnings guidance, which, in effect, means we are raising our midpoint target to $2.71 per diluted share. If achieved, this would represent an 8% year-over-year improvement in base earnings.

Despite a solid first half, we continue to face headwinds from our corrugated medium operation. A continued strong dollar and some of our consumer product customers appear to be struggling to grow packaged food volumes in certain served markets.

In closing, we remain firmly committed to our grow and optimize strategy, which is focused on volume growth above industry average, improving operating margins, working to shift the mix of our business to more of a consumer and protective packaging orientation, maximizing free cash flow, and, finally, we expect to return approximately $240 million in cash to shareholders and dividends and share repurchases in 2016.

Operator, we will now take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) George Staphos, Bank of America.

George Staphos - *BofA Merrill Lynch - Analyst*

Good morning and thanks for all the color. I guess first question I had following on your comments, Jack, about some of your packaged food customers struggling with volume, can you provide a little bit more in terms of what drove their decisions to the extent possible to shut down demand in June? Was it just coincident with -- you know, a lot of these companies have fiscal years that end around then, and what has been the tenor, so to speak, into the most recent quarter? And then I had a couple of follow-ons.

Jack Sanders - *Sonoco - President and CEO*

Okay. Yes. I am not -- we are not obviously privy to everything that is going on inside these customers and what they are doing, but there are a couple of events that are going on that are impacting us. We have a major consolidation of one of our customers going on, consolidating from two facilities into one. I also believe one of our significant customers had a fire that somehow impacted their production as well. So those things were going on.

I would also tell you that the quarter played out a little bit differently than it would normally play out. We had a very strong April, and then it kind of slid into May and June. I don't know if they had actually anticipated that -- these changes -- and built inventory and then worked that down in May and June, but that is how the quarter played out. But I would tell you it was nothing out of the ordinary, but as I said, there were some shutdowns; there were some consolidations going on. And, of course, we are aware of some format changes going on, particularly in Europe. We (inaudible) composite can as they move from a round can to a more square can in some applications.

George Staphos - *BofA Merrill Lynch - Analyst*

Jack, I mean, you did say -- I think it was your commentary, you said the consumer performance was a bit disappointing. So some of these things would seem to be factors you would have had visibility into. For example, the consolidation of the customers. So was there one thing in particular that maybe caught the business by surprise in the quarter?

Jack Sanders - *Sonoco - President and CEO*

Well, yes. I mean, obviously, the performance of the business was solid, and the EBIT was up on a year-over-year basis from a selling perspective. As I said, the volume was kind of disappointing as it played out. But when you are combining two facilities into one, getting behind, they get behind, don't come up to speed, I mean, all of those things we don't really have visibility to.

But, as I look, I would say that there wasn't any one single event that was significant and said, wow, that was really off from what we expected.

George Staphos - *BofA Merrill Lynch - Analyst*

Okay. Thanks for that. One thing, how is the business and these trends -- how they evolved early into third quarter? Has there been any kind of pickup, or has it been the same ramp, if you will, coming out of June?

And then my other two questions and I will turn it over. Protective with a 4.5% some-odd improvement in volume, I guess I would have expected a little bit more improvement in earnings. Were you comfortable with the margin performance you saw in the segment, or were there some headwinds there to be mindful of?

And then, with corrugated, recognizing these things, you don't snap your fingers and they occur overnight. Or when you do that, it seems like you have been looking for a solution in corrugated for -- excuse me, in medium for several quarters now. Has it taken a little bit longer than you would have liked, and what in particular is causing these swings? Is it the pricing side or more the cost side? Thank you, Jack.

Jack Sanders - *Sonoco - President and CEO*

Yes. I will try to remember all those, George.

George Staphos - *BofA Merrill Lynch - Analyst*

So will I.

Jack Sanders - *Sonoco - President and CEO*

The sequence of ordering as we move into third quarter, obviously we don't have a lot of visibility yet. I will tell you that flexibles is up; plastics is up. I think that for the most part we are kind of swimming -- swinging back to what we expect. We believe third quarter is going to be up about 1% on a year-over-year basis.

So, right now, as best we can see, that looks fairly reasonable to us.

As far as protective solutions, again, that business -- part of that business serves the automotive industry. And in that business, there certainly is some indication that perhaps we have reached peak number of car production. But, by the same token, we are also introducing new products into the market that will kind of help offset some of that drop in auto production as we get more parts in cars.

And we also are launching some new products into the temperature-assured packaging market that we are not as efficient as we will be in making them just yet. And, as that business ramps up, they will continue to get better with it. But obviously, at a 10.5% -- or 10.9%, I think what the margin was for the quarter and then 10%-plus for the full year, very pleased with where that business is and how it continues to grow. Really would be hard-pressed to be more pleased. That business is doing quite well.

And then, finally, on number 10, yes, I mean, obviously -- George, we are a small manufacturer of medium for the corrugated industry. It is a very good machine, makes an excellent grade of medium, and we have evaluated every possible scenario that we can evaluate from converting it to URB to shutting it down to making higher-end products. Today, it is a good corrugated medium machine, and when the corrugated industry kind of moves into this level that it has moved into, the big players tend to export more corrugated medium. And that kind of is one of our key markets for our product. And, as they export more corrugated medium, the price goes down.

One of the things that we are -- think we are on the front end of is a little more domestic demand, which, hopefully, will impact those larger players to exit some of the export market, which could possibly impact us in a positive way.

We are also changing the schedule for that machine where we are running on a less than 100% schedule. We go three weeks on, one week down. We are getting repetitively better at running that schedule like that so that we are continuing to cut costs out. We are continuing to look for options, and we are continuing to look for partners for a takeout of that machine, and we will continue to do so. But we really haven't laid out on a matrix at what point does it make sense to do certain things.

But, finally, that machine makes a very good medium sheet, and it should be something that some of these larger corrugated box companies would actually desire.

Operator

Phil Ng, Jefferies.

Phil Ng - *Jefferies LLC - Analyst*

Margins in your consumer business have stayed above that at 11% threshold for a few quarters now. Is that sustainable? I just wanted to get your thoughts, Jack, on resin prices in the back half. There is some chatter potentially (inaudible) with a lot of capacity coming on.

Jack Sanders - *Sonoco - President and CEO*

Well, I would tell you that consumer margins, I think we have said, will be somewhere between 10% to 12%, and it is really going to kind of depend upon what products we have in the marketplace, what innovations we put into the marketplace so I would expect those to have higher margins.

Yes, they are up to 11.6%. Some of that is benefit from resin prices falling during a quarter so that we get some of that gain, but it has been passed through at quarter end. I would like to think that we are better than 10% and we have moved it toward 11%. Whether it can stay at 11.6%, I don't know. But we do believe it will be somewhere in that 10% to 12% range over a longer period of time.

As far as resin prices, as we look at it, I think that one of the things that has kind of impacted both flexibles and plastics business positively is that resin has been a little volatile and been moving down.

Right now, we think resin is going to flatten out, really, for the balance of the year. There is new capacity coming on in some parts of the world, but everything that we kind of looked at now. So it is going to be kind of flat for the balance of the year. So it will have less of an impact in the businesses.

Phil Ng - *Jefferies LLC - Analyst*

Okay. And a question for Barry. Just given the move on the discount rate, any thoughts on how you are thinking about pension contribution on the cash side of things and then expense as well for (inaudible).

Barry Saunders - *Sonoco - SVP and CFO*

Phil, we certainly continue to monitor the interest rate movement of course it will really depend on where rates are at the end of the year as to the actual impact on our plan. We don't have any estimates for the impacts on contribution at this point, but, of course, we do disclose the (inaudible) impact from rate movement on our unfunded obligation, which goes up about $46 million for each 25-basis-point change. And, right now, just using the 10 years of treasury as a proxy, it is down about 75 basis points from where we were last year. And all else being equal in there, of course, there are always a lot of moving parts to pension expense, the discount rate movement alone would certainly cause expense to go up next year as well because again each 25 basis point moves expense by just under $4 million or so. So, again, some movements there.

We also, quite frankly, continue to assess what else we might need to do differently to manage the risk with this plan into the future. We have obviously been proactive in the past with changing the plan layout, moving people to a defined contribution plan, freezing additional service for all participants at the end of 2018. But we will look if there is anything else that we might need to do to manage the risk differently, which could include some lump-sum payouts and some possible annuitizations, particularly given there is also increasing cost of pension benefit guaranty corporation premium. So all those factors considered, kind of maybe a change in the outlook for interest rates longer-term, we will continue to reassess what else we might need to do to manage the risk associated with it.

Phil Ng - *Jefferies LLC - Analyst*

Got you. That's very helpful. And just one last one for me. Jack, you're talking about pretty good adoption or interest in the TruVue can. I can't imagine it is going to contribute much this year, but what about 2017? Any view on that front? Thanks.

Jack Sanders - *Sonoco - President and CEO*

Yes. We probably won't contribute a lot this year other than to kind of get into the market and see what the consumer reaction. If it is positive, I think it will ramp up over 2017, but we will then begin to start making investment and begin absolute production. So that is going to be much more difficult to gauge. But one of the things we have said is that just a fraction of that market, less than 3%, can generate a $200 million market for us in revenue. And we are trying to work within those boundaries and saying, hey, do we have that type of product here? And I think this launch in the fall is going to tell us a lot about how consumers react to this.

Operator

Chip Dillon, Vertical Research.

Chip Dillon - *Vertical Research Partners - Analyst*

First question is just thinking about -- I guess there is -- seeing the medium machine sort of as a two-edged sword, it is impressive how you mentioned you would have probably earned another $0.05, roughly if you had not -- if you just didn't have that swing from a year ago. And if I annualized what is going on here, I guess my question is, if at the end of the day if you were just to make the decision certainly you are not thinking about this, but let's say you did decide just to shut it down, write it off, scrap it, whatever, it would seem to me that the amount of earnings that you generated in the second quarter were not all that great. And, therefore, the going forward cost to the Company would not be all that great. Maybe, I don't know, $0.01 or $0.02 a quarter. Is that barking up the right tree?

Barry Saunders - *Sonoco - SVP and CFO*

Well, I think directionally -- this is the larger complex mill. So that machine has and absorbs cost that won't necessarily go away when you shut down the machine. And we have that kind of -- that is clear what that number is to us. So that is really -- that is on that matrix, if you will, that we have when we look at the machine, and that is kind of like the bright red line. And if shutting it down and absorbing the rest of that cost is lower than continuing to run it, then that is what we will do.

Chip Dillon - *Vertical Research Partners - Analyst*

Got you. So, as you think about the absorption issue, again, just thinking would there be a possible scenario where, since it is semi-chemical, I am not sure you are using any of the virgin fiber there for any other reason at hard to go Hartsville -- if I am right about that. Could that help shutting that down? Or, said differently, maybe you are looking at completely 180 degrees difference. Could you ramp up diversion capability there and make a liner board?

Jack Sanders - *Sonoco - President and CEO*

No. I don't. The system really probably isn't capable of the absorbing that much virgin material. It is blended to be, as you said, a semiconductor machine with recycled content. So we would have to invest and do different things. And, again, I think that there are several companies out there that might view this machine as a very strong positive, and that is the path that we would prefer to go down at present.

Chip Dillon - *Vertical Research Partners - Analyst*

Got you. And then, shifting gears to the composite can business, you mentioned the new line. I think you said it was the third line in Poland you were starting up next year. Is the move you mentioned toward square cans versus round cans, is that something that is in your wheelhouse? Is that something you have got to get up to speed on? Or could it actually be an advantage where others -- will find that more of a challenge?

Jack Sanders - *Sonoco - President and CEO*

Yes. No, this is something that when we bought Weidenhammer that we certainly were aware of, that was moving forward. Let me just give it a broad -- legislation in Germany is affecting label appearance, and a square can brings a little bit more of a favorable positive appearance to the product. So there has been a lot of talk about moving from round to square.

We launched a square can probably 30, 60 days ago, maybe as much as 90, so we do have a square can in the marketplace. Other people are just evaluating it. We knew that it was going to have an impact on volume. Some of it got swung in the first quarter so that they ramped up that we can successfully launch in second quarter.

There are other options out there -- other formats around the square, so some of that is in play. But all-in-all, we feel we have a superior square can that, if the consumer and the tobacco company wants square, then we have the superior square can in the marketplace. It is really going to be how the consumers react to the new packaging, and then that will kind of determine which way is this going to go.

Chip Dillon - *Vertical Research Partners - Analyst*

Okay. You mentioned that Lat Am volumes were up 14.5%. I think that within the industrial business if I heard that right. And when you that -- except for Brazil, could you tell us a little bit about what is going on -- or maybe that was tubes and cores -- what is going on in Brazil? I noted back in late January when the market -- stock market was going down every day, your sense was that it wasn't going straight down in Brazil. I don't know if you have had a renewed air pocket.

And then, just maybe separately as you think about the whole world economy and you think about the industrial and papers business, what are your order trends telling you there?

Jack Sanders - *Sonoco - President and CEO*

Well, let me talk specifically -- Latin America, for us, is really Mexico and northern South America -- Colombia and that market there. That market is extremely strong, has been, and continues to do extremely well. They have been double-digit for quite some time now. A lot of growth down there, new industry coming in. So that has been that marketplace that we call Latin America.

Brazil is struggling a bit on the industrial side. I think our flexibles business in Brazil tend to do fairly well. So that is a positive. And I would say our can business in Brazil is also doing well.

So industrial is doing as well as it has, but it is doing okay. So Brazil, for us, isn't -- the impact that you read about. Now, we are more in country with everything and do very little export. So we are not being impacted in that way.

As I look around the globe, industrially, we certainly see some minor pickup here in the US and Europe. Similarly, some modest underlying demand improvement, some share gain going along with that. So those being our two biggest markets. When we started the year, we felt like we would see improvement on the industrial side, and it is kind of manifesting itself very much along the lines of what we felt we had seen.

Operator

Ghansham Panjabi, Robert W. Baird.

Matt Krueger - *Robert W. Baird & Company, Inc. - Analyst*

This is actually Matt Krueger sitting in Ghansham. First question, can you detail the various factors impacting the price cost benefit for your business during the quarter, and then what type of raw material outlook is baked into your updated 2016 guidance?

Jack Sanders - *Sonoco - President and CEO*

What was your second question?

Matt Krueger - *Robert W. Baird & Company, Inc. - Analyst*

The second question was just about, what type of raw material outlook have you guys incorporated into the 2016 guidance? I know you noted flat for resin, but if you could go through the various kind of inputs.

Jack Sanders - *Sonoco - President and CEO*

Yes. And the other question was around price cost. Really, I think what has been driving price cost for us is that, all year long, we have had very, very positive price procurement productivity where the organization has done a very good job of contracts and getting us different types of materials, terms. It has worked extremely well. That has been a strong part of it.

Particularly this quarter, I think it has been gas and energy have also had a positive impact on price cost during this quarter.

Some resin benefit, but not a lot, occurred in the second quarter, but there was some.

As far as how we look at the balance of the year, as we said, we see resins being flat for the balance of the year. OCC expect it was up 15% during the quarter. It is up 5% already in the third. I would be surprised we will see it rise 10% more for the quarter. And, of course, one of the things we said is that that would work against us on a price cost basis as that happened. But I think it will fall off in the fourth, so perhaps we will recover some of it in the fourth quarter. Those would be the material implications for the balance of the year.

Matt Krueger - *Robert W. Baird & Company, Inc. - Analyst*

Okay. That's really helpful. And then, just in terms of some intra-quarter trends, did you see any fluctuation in customer order patterns during the period surrounding the Brexit vote, particularly within your European industrial businesses?

Jack Sanders - *Sonoco - President and CEO*

Not that was communicated to me. I think as we look at Brexit, UK announced 2% of our sales on a global basis, so it is a fairly small market.

Now, Europe is 20% of our sales and, as we analyze it today, the impact of Brexit as we see it is how it will impact the two economies -- the economies separately UK and the Eurozone, and then how will their currencies actually fluctuate or change against the dollar. That is really -- and/or against each other. That is really going to be the impact that we see.

Matt Krueger - *Robert W. Baird & Company, Inc. - Analyst*

Great. And then one last question. Given the positive mix that you experienced during the quarter in your various segments and your initiative to move towards higher margin products within the portfolio, what is your view on the sustainability of this positive mix dynamic moving forward?

Jack Sanders - *Sonoco - President and CEO*

Well, actually in the quarter, the mix was not really that good, Matt. What we actually saw sale of more products in display and packaging, which have little to no margin, and we saw it drop off in some of our high-margin products like cans, flexibles, et cetera. So that mix was a positive.

I think the ability to continue to switch the mix, move more toward consumer, more toward protective packaging, we are definitively on that path. We're doing a lot of work to build those businesses. So I feel very, very good about the future and where we are heading with building those businesses.

Operator

Chris Manuel, Wells Fargo Securities.

Chris Manuel - *Wells Fargo Securities, LLC - Analyst*

Just wanted to kind of -- Jack, one kind of big picture question, and now that you have got the mill sold in Europe, where do you kind of stand on ads deletes through the portfolio? Do you have the mill footprint sort of where you want it? Do you envision further action? It looks like you did a little bit in Puerto Rico as well. Can you maybe talk about where you are in the add/delete spectrum?

Jack Sanders - *Sonoco - President and CEO*

Chris, what exactly are you asking me?

Barry Saunders - *Sonoco - SVP and CFO*

You are not talking about our mill footprint, or are you looking more towards just (multiple speakers)?

Chris Manuel - *Wells Fargo Securities, LLC - Analyst*

Well, both. So really what I'm trying to understand is, you have done some realignment in Europe. You sold a mill. Are you comfortable with where you have the portfolio today, or do you foresee more actions that you would like to take there?

Jack Sanders - *Sonoco - President and CEO*

Well, the portfolio -- we are fairly comfortable with the mill footprint that exists in Europe today. I think this is kind of the mill footprint we wanted. I think we continued to do analysis of our footprint in both tubes and cores and composite cans. As a matter of fact, we have several consolidations going on right now in composite cans. It is one of the things that negatively impacted productivity for the quarter, and we are looking at some of the footprint for the tube and core business as well. So we will continue to evaluate that.

I think if you are stepping back and saying the total portfolio for Sonoco, no, we are not where we are going to be. We have been fairly consistent that we want to grow in flexibles, we want to grow in thermoforming, and we want to grow in the protective solutions side. So you should not be surprised if we make acquisitions in those areas and that there is some businesses that don't fit as well and that you shouldn't be surprised to see us sell a couple of businesses to kind of continue and make that shift. So we become more focused around the directions that we have talked to.

Chris Manuel - *Wells Fargo Securities, LLC - Analyst*

Okay. That's all. I wanted to kind of zero in for a second on some of the composite can stuff. I think you talked about it being down about 2% globally. Can you maybe share how that may have been different by different geographies? I know that in a few spots you are adding a good bit of capacity. So are you seeing good growth in basically regions outside the US, or how is that playing out?

Jack Sanders - *Sonoco - President and CEO*

Well, certainly, we are seeing growth in the developed -- in the developing world. I think the growth in Asia was some 40% plus, so we are certainly seeing there. We have got the volume that is coming on at the new facility in Poland. So the demand drop was actually domestic and in Europe. Part of the European drop, as I mentioned earlier, was the tobacco situation, and we anticipated that we would get a build in the first quarter that would kind of be impacted in the second quarter as all of this kind of washes out around what is the new format. And then we saw a drop above 2% domestically. It was almost double that domestically, and that had been -- that is focused on a few products and, as I said, some of our customers are moving operations, consolidating operations. That certainly had an impact. There was a fire in one of our customer's facilities. That is impacting that number. That number seems a little bit out of whack, but again, I wouldn't read much more into it than quarter events.

Operator

Scott Gaffner, Barclays.

Scott Gaffner - *Barclays Capital - Analyst*

Just staying there on composite cans for a minute, can you walk us through some of the demand trends by the segments, whether (inaudible) coffee, et cetera?

Jack Sanders - *Sonoco - President and CEO*

Yes. Yes. Again, I think that -- I am trying to find some notes. I think we had some of the segments that were certainly up. I think powdered infant formula was up. Dough was actually up. Some of the segments that we serve as facts was down. I think powdered beverage continues to be down. Of course, frozen orange juice concentrate was down.

Again, these move up and down. You see them kind of go different directions all the time. With some of the work that has been going on, some of the shutdowns that were planned, I am not surprised to see some of the numbers being a little bit bigger than they would be in any other quarter. But discernible trend, other than frozen concentrate, which we know and powdered beverage, which has been kind of in that, there is nothing more to read in it than that.

Scott Gaffner - *Barclays Capital - Analyst*

Okay. Any opportunity -- I know, with Weidenhammer you have got some of the non-round capability. Have you seen any demand or customer interest in the non-around outside of Europe?

Jack Sanders - *Sonoco - President and CEO*

Outside of Europe, some. We are kind of working with it in other areas of the world. I would tell you what has really gotten a lot of attention, both in Europe and domestically, is in-mold labeling -- thin-walled in-mold labeling. We are -- some of the consolidation work we are doing in Germany is to consolidate all that molding into a single facility, which will be really an outstanding facility and have a high level of expertise. We believe that has applications domestically as well, both the non-round paper can, but also the in-mold labeling, thin-walled labeling, that also will have applications domestically.

Scott Gaffner - *Barclays Capital - Analyst*

Last one for me, just on the share repurchase. I mean, the stock is up close to 25% year to date, and it sounds like you are going to continue to go forward, but have there been any discussions on maybe moderating the share repurchase at these levels and coming back in 2017 instead?

Jack Sanders - *Sonoco - President and CEO*

Well, Scott, I would tell you that at each quarter, we had entered into a period where we actually met a limit and stopped buying for a while. And as we come back into this quarter and an open period for buying, we are going to reengage in the buyback. We're going to watch it for a while. And as it goes into the blackout, we are will again cap it so that if there is excessive movement or something, we would stop. But our goal here, really, is to return cash to shareholders and dollar cost average over the course of the year. Right now, our dollar cost average is pretty strong. So we are going to continue down the path, but if something strikes us as being unusual, about valuation, we would make the determination to stop or to halt for a short period of time.

Operator

Adam Josephson, KeyBanc Capital Markets.

Adam Josephson - *KeyBanc Capital Markets - Analyst*

Jack, Barry, Roger, just one more pension question for you. What exactly is the relationship between your discount rate and the tenure? In other words, to what extent do they move hand in hand with each other?

Barry Saunders - *Sonoco - SVP and CFO*

They don't necessarily move hand in hand because, of course, our discount rate is determined on a portfolio of corporate bonds with a similar duration to our liability, but you can just use it as a broad proxy for how the overall discount rate might move.

Adam Josephson - *KeyBanc Capital Markets - Analyst*

Sure. Okay. Jack, just one on packaged food volume domestically. Obviously, we see what is happening with the large public eye. Their volumes have been declining fairly significantly. It is harder to see what is happening with smaller companies, more organic, natural type companies. Can you just give us a sense for what you see happening broadly with US packaged food volume, not just to the big customers that we know you serve?

Jack Sanders - *Sonoco - President and CEO*

Yes. Adam, that is a great question. Certainly, you see the published data. You see that some of our customers are struggling with volume. We are experiencing that as well. What we are actually experiencing, however, with the I6 process is we are engaging with that second tier group that are bringing the new idea, the new product into marketplace that many of these larger companies actually will end up buying at some point. And we see a lot of activity in that second -- gee, I don't know, second tier maybe the wrong word, but that other group that (inaudible) is less well known, a lot of activity and a lot of interest in the innovative products that we have and some of the things we are doing with them.

As a matter of fact, you are going to see us launch products with that group. And, of course, you are seeing the perimeter and the products in the perimeter. And, for us, that is thermoforming, that is flexibles, so a lot of activity from us around those customers and what their needs are. As a matter of fact, we recently hosted 50 independent contract packagers here in Hartsville. It was a great experience for us and for them, and it really opened up some eyes about what we can be doing and who we should be working with on some of our innovations.

Adam Josephson - *KeyBanc Capital Markets - Analyst*

Thanks for that, Jack. And just two on capital allocation. Can you just talk about M&A multiples and what opportunities you are seeing at the moment if any?

Jack Sanders - *Sonoco - President and CEO*

Well, there's definitely opportunities out there, and multiples -- within the realm of the conversation we are having today, the multiples are not unreasonable. But it is about really the due diligence around the opportunity. Does it fit what we really need, and are the numbers -- the forward projected numbers realistic and what can the synergies be? The multiples themselves are certainly elevated as they were over time, but I would say they are not outlandish in many cases. It is really about what is the real growth rate; what is the real forward projection of earnings; and what are the real synergies you can expect and what can you do with it. And we have been involved in several conversations and remain involved in several conversations. So they are there. It is about making sure you get the right one and making sure you know what you can do with it when you get it.

Adam Josephson - *KeyBanc Capital Markets - Analyst*

Sure. And just one kind of out of left field here. Obviously, you pay pretty sizable dividend as is, but have you given any thought to meaningfully increasing it further, just given the multiples that are being afforded? Any company that pays a halfway decent dividend these days.

Jack Sanders - *Sonoco - President and CEO*

Well, I think that to the point you made, we are a dividend payer. We have been a dividend payer. We identify with ourselves as a dividend payer. And we have had a pretty long history and model around paying dividends, and that is really to pay out about half of our earnings as a dividend. Multiples set aside because multiples can go down, multiples can go up. The consistency of that history really rings true to us, so that is probably going to be more of our guiding factor is paying out a portion of our dividend -- a consistent portion, somewhere around half, which is kind of what we have done. It is not written in stone, but it has just been our legacy.

Adam Josephson - *KeyBanc Capital Markets - Analyst*

Sure. Best of luck.

Operator

Mark Wilde, BMO Capital Markets.

Mark Wilde - *BMO Capital Markets - Analyst*

I have a few questions. First one, just to kind of come back to a question I think Chris Manuel was trying to get at. If we go back to kind of early December of 2014, when you were in New York, I think you talked about $700 million to $800 million worth of revenue business that was kind of under review. Where are we at in that process right now?

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Jack Sanders - *Sonoco - President and CEO*

I am not sure what you mean by that, but I am assuming you're talking about $700 million of revenue review that we would do something else with.

Mark Wilde - *BMO Capital Markets - Analyst*

Yes, yes, yes. I think you had a graph and you had a picture up there about sort of the portion of your business that you were looking at to either improve performance or potentially to divest.

Jack Sanders - *Sonoco - President and CEO*

Well, I would tell you that some of the businesses where we had improved performance have, indeed, seen substantially improved performance and that we are pleased with that.

That said, we also talked about focusing this portfolio more on flexibles, protective solutions, and thermoforming. And I don't know how to say it any more than we said -- we are in process. We are in the process and, as I said earlier, you should not be surprised if we make an acquisition in one of the three areas I outlined during the course of the conversation, nor should you be surprised if we divest a business with inside Sonoco. That is more significant than a single mill or site during the course of the rest of the year. I just -- Mark, all I can say is that we are in process.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. All right. Actually, I think that is a good answer, Jack. And just to kind of on the divestiture issue, you have got a really broad and diverse portfolio for a packaging company. And you have got a lot of businesses in there that don't look like packaging businesses or certainly don't look like consumer packaging businesses. Is the direction here to be -- to make this look more like a consumer packaging company?

Jack Sanders - *Sonoco - President and CEO*

Well, again, right now we are moving in the direction of protective solutions and consumer packaging.

Mark Wilde - *BMO Capital Markets - Analyst*

Right.

Jack Sanders - *Sonoco - President and CEO*

I think that that will make us look more like a protective -- a consumer packaging company over time, but it doesn't mean that every business inside protective packaging fits or every business inside consumer fits. We really want to narrow down the scope of composite cans, flexible packaging, and thermoforming on the consumer side, and then protective solutions we really like that temperature assured packaging space and, of course, the paper-based protective packaging that was there before.

So it is not so much absolutely to consumer. I think that shift will occur. And I am not -- I don't want to imply that the only businesses that we would sell would be out of industrial. That is not right. We like certain pieces of our industrial businesses. They are very good businesses.

So it will shift us in the direction of consumer market I think over time. But the goal is not to make us strictly a consumer packaging company.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. All right. That's fair. Any timeline you think that it is possible to put on this medium mills situation, Jack?

Jack Sanders - *Sonoco - President and CEO*

On the medium mill, well, we are certainly going to continue to evaluate it day to day. Again, it simply comes down to cash in the final analysis. Does it cost more cash to run it or close it, and what is the best option in between?

Our goal is to run it. Our goal is to find a partner. Our goal is to continue to reduce our costs, and that is what we are focused on right now.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. And (multiple speakers).

Jack Sanders - *Sonoco - President and CEO*

(multiple speakers) timeline -- no, not right now.

Mark Wilde - *BMO Capital Markets - Analyst*

Okay. All right. And the final question I had is just the balance sheet because you look like, on sort of a first-half run rate, I mean, you're sitting well-built well below 2 times leverage. You are also sitting on a lot of cash right now. I mean, is that in anticipation or to be prepared for a large potential acquisition? Can you just give us some thoughts on that? Because it seems like you are awfully underlevered at this point.

Jack Sanders - *Sonoco - President and CEO*

Again, there's all different measurements of leverage, and when you go to the agencies, they count a lot of things that you are not talking about. But, yes, we have a solid balance sheet, and we have some businesses that we want to exit. All of that in preparation of buying other businesses that fit flexibles, thermoforming, or protective solutions, and I will go back to my earlier comment, we are in the process.

Mark Wilde - *BMO Capital Markets - Analyst*

Fair enough. We will stay tuned.

Jack Sanders - *Sonoco - President and CEO*

Please do.

Operator

Debbie Jones, Deutsche Bank.

Debbie Jones - *Deutsche Bank - Analyst*

I was hoping we could revisit the comments you made on productivity. You did say that -- I think at the investor day you were targeting about $50 million for the year running below that. I understand the container board business is impacting that, but how should we think about the back half of the year? What is baked into your guidance, and then what could be -- if we exclude containerboard, what could we expect on a quarterly basis here going forward?

Jack Sanders - *Sonoco - President and CEO*

Yes. Again, as we say, somewhere around $12 million a quarter is what we would expect. I think with the drag with corrugated, that continuing, that is going to drop that down a solid $3 million or so.

So, from all the other businesses, nothing would actually change. I would expect them to generate somewhere around $9 million. I think as you look at the second quarter, you had a very unusual situation with a lot of volume early and then it kind of faded. And then as volume falls, you kind of run to catch up productivity. So I think that we have made the adjustments based upon run rates. Certainly, productivity is baked in going forward. And I think what has helped offset all of that is that, at the end of last year, we made a determination to remove a certain amount of fixed cost from the organization. We didn't make a big deal out of it. We did it fairly quietly, but we have really done that. And so when you look at productivity in total, along with our procurement productivity, which is material substitutions and other things like that, when you aggregate all that, our total productivity is above plan. But over the long, long term, we really have to generate that $12 million or so per quarter of manufacturing productivity. We have businesses that are making extraordinary progress. We're not going to let up on that, and at some point we're going to resolve the issue with number 10. So it remains a focus.

Debbie Jones - *Deutsche Bank - Analyst*

Okay. Thanks. That's helpful. And then my second question -- it is very clear that your M&A strategy has not changed. But I think you go back to the post Brexit world discussion here, what were your thoughts post that situation, and there's a lot of uncertainty? Does it change the way you think about the opportunity for you and Europe or the multiple that you are willing to pay, et cetera or even sell businesses in that region?

Jack Sanders - *Sonoco - President and CEO*

At this point, I would say that it is not really impacting us from that perspective. Certainly, pound-denominated acquisitions seem to make a lot of sense right now. As long as you can understand the product line and the product mix and how it might get caught up in Brexit. In other words, what type of product is it? The more exclusive it is, I think the better off you are going to be. But are there also offsetting manufacturing operations on the continent that could help balance any truly breakdown between relationship between the UK and the EU.

What that final outcome is going to be, I don't know. I think it is going to be a tough negotiation, but in the final analysis, I think it will probably work out for both of them.

Operator

Steve Chercover, D. A. Davidson.

Steve Chercover - *D.A.Davidson & Co. - Analyst*

I don't think you mentioned what the coupon was on the five-year debt you placed in Germany. So how much are you they paying you to borrow their money?

Jack Sanders - *Sonoco - President and CEO*

Pretty close. It is about 1.3%.

Steve Chercover - *D.A.Davidson & Co. - Analyst*

1.3%. Okay. That is great. And I know we have been talking a lot about the corrugated -- the medium machine in Hartsville. And I am just wondering, how many other machines are there in that complex?

Jack Sanders - *Sonoco - President and CEO*

Six.

Steve Chercover - *D.A.Davidson & Co. - Analyst*

So there are six machines in addition to the medium machine?

Jack Sanders - *Sonoco - President and CEO*

I think it is five machines in addition to the medium machine and six in complex mill.

Steve Chercover - *D.A.Davidson & Co. - Analyst*

Got you. And the pulp or the furnish is primarily recycled, or is there a virgin line there?

Jack Sanders - *Sonoco - President and CEO*

It is a mix. It is a mix of virgin, and it is a mix of recycle.

Operator

Brian Maguire, Goldman Sachs.

Unidentified Participant

This is (inaudible) sitting in for Brian. Just for the sake of time, I will be quick. I just wanted to piggyback off an earlier question. You mentioned how in protective solutions some of the thermoforming products that you have introduced are not at their productive level that they will be at eventually. I am wondering how long it typically takes for new products in protective solutions to typically get up to their full productive efficiency?

Jack Sanders - *Sonoco - President and CEO*

Yes. Just a bit of a clarification. The products in temperature-assured packaging, they are not thermoforming. They are foam and gels, and usually it is going to take us 30 -- it is going to take us 60 days. Maybe two, maybe three runs to kind of really get up to speed and understand how is the machine actually performing. Is it running at speed?

So I would expect another month or two of some impact, and it should get progressively better. You learn every month, and again it is really around the uniqueness of that particular pack and how it is made. But 90 days should clear it.

Unidentified Participant

Understood. And then just my second question. On the IPS Studio, you have talked about how it is helping with new product development and winning new business.

Aside from the TruVue can, do you have any other products that you think will impact the top line? And at what point do you expect to see those -- at what point do you expect to see the financial impact from those products?

Jack Sanders - *Sonoco - President and CEO*

Well, we are introducing container in the pet food arena. We have won some new flexible packaging (inaudible) I guess it goes on bars or energy bars and the like.

We have won several new pieces of business. I think that -- but that is not what we started that for. What we really started it for were big rocks, as they are called. We started it for the TruVue can and a product like that. It is certainly helping us win business: $5 million here, $3 million there. But we are looking for the big rocks, the $200 million rocks. They are working on a project now for global powdered infant formula. So while we are winning volume, we are focused on the big rocks inside that facility.

Operator

George Staphos, Bank of America.

George Staphos - *BofA Merrill Lynch - Analyst*

I know it is really late. I will ask these quickly and in one shot here. So just following on the previous discussion on M&A and divestitures and all that, is that what prompts that note -- that paragraph on page 1. I don't -- of the press release. I don't know that I have ever seen before the comment about you can't provide GAAP guidance because of potential things that might happen. That is question number one.

Question number two, you had mentioned at least some concern -- that is my word; that is not the word you used, but we will use it for now -- about the auto cycle as regards protective. Is that just thinking in the back of your mind, Jack, or are you beginning to see it actually show up in the volumes?

And then, lastly, in terms of rationalization this year, we have obviously been looking for and you have been doing it within your industrial operations in tube and core. Were you always going to also rationalize in the composite can area? Thank you and good luck in the quarter.

Jack Sanders - *Sonoco - President and CEO*

You want to take the GAAP comment?

Barry Saunders - *Sonoco - SVP and CFO*

Yes. Absolutely. George, the paragraph that was added to the press release is directly in response to the fact that the FTC issued some interpretive guidance on the use of non-GAAP measures.

George Staphos - *BofA Merrill Lynch - Analyst*

Hey, Barry. You are cutting out. I apologize. Can you repeat that?

Barry Saunders - *Sonoco - SVP and CFO*

Yes. Is this better?

George Staphos - *BofA Merrill Lynch - Analyst*

Yes.

Barry Saunders - *Sonoco - SVP and CFO*

Okay. That paragraph added to the press release was directly related to the fact that the SEC came out with some interpretive guidance on the use of non-GAAP measures in the quarter. And clearly, with us wanting to comply with the guidance, felt that it was best to also describe why we don't issue GAAP earnings guidance. We just continue to issue base earnings guidance. Because it is, frankly, very difficult for us to estimate restructuring charges, asset impairment, and other things that are often excluded from GAAP. So that is the whole reason for that being added.

George Staphos - *BofA Merrill Lynch - Analyst*

Thank you. On auto?

Jack Sanders - *Sonoco - President and CEO*

Of course, the auto cycle -- did you have another question?

George Staphos - *BofA Merrill Lynch - Analyst*

No.

Jack Sanders - *Sonoco - President and CEO*

As far as the auto cycle goes, again, if you look at the numbers, some cars are up, some are down, structure up, cars are down. But, in total, that 17 million-unit number, that seems to be in everybody's mind that, okay, that is the top of the production curve. And we are kind of at that point. We are moving toward that point. That is really what I was kind of referencing is that for auto production we are moving to the top of what most feel is going to be the top or the limit.

However, we continue to win new business that goes into other cars that we don't have today or new business for us. So that will have a positive impact on that business. That may be the 2019 model, but that is still going on. So that will help with volume in the business. But as far as -- what I was saying is just that it is near the top of its forecasted range right now.

George Staphos - *BofA Merrill Lynch - Analyst*

Fair enough.

Jack Sanders - *Sonoco - President and CEO*

And then on the industrial -- and then on composite -- yes, the consolidation -- and it has really been around Europe, we have the consolidation planned. I don't know if you recall, when we made the acquisition, we got into this issue with the UK.

George Staphos - *BofA Merrill Lynch - Analyst*

Oh, that's right. Understood. (multiple speakers)

Jack Sanders - *Sonoco - President and CEO*

(multiple speakers) and kind of pushed it over into this year. So we are late doing it, but it was just because of that particular event.

George Staphos - *BofA Merrill Lynch - Analyst*

Understood. Thanks for all the details, guys. Good luck in the quarter.

Operator

And I am showing no further questions at this time. I would like to turn the conference back over to Mr. Roger Schrum for any final remarks.

Roger Schrum - *Sonoco - VP, IR and Corporate Affairs*

Thank you again, Tamara. Again, let me thank each of you for joining us today. We certainly appreciate your interest in the Company, and as always, if you have any further questions, please don't hesitate to contact us.

Thank you very much.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does complete today's program. You may all disconnect. Everyone, have a great day.