Sonoco (NYSE: SON) Reports Second Quarter and First Half Earnings Per Share

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HARTSVILLE, S.C., July 19 /PRNewswire -- Sonoco (NYSE: SON) today reported earnings per diluted share of $.47 for the second quarter of 2000, versus $.46 in 1999, it was announced by Peter C. Browning, president and chief executive officer.

Sales for the second quarter of 2000 were $688.7 million, versus $611.8 million in the same period last year, reflecting $81.6 million in benefits from price increases during the second quarter and acquisitions made during 1999. Net income for the second quarter of 2000 was $46.4 million, compared with $47.4 million in the second quarter of 1999, resulting primarily from the impact of increased raw material costs, weaker volumes and change in product mix. Earnings per diluted share for the 2000 second quarter were positively impacted by the repurchase of a total of 3.1 million shares of Sonoco's common stock in December 1999 and in the first quarter of 2000 under the Company's previously announced plans to buyback at least enough shares to prevent dilution related to stock options. Earnings also benefited from higher pension income and a lower effective tax rate, partially offset by costs associated with an engineered carrier plant closing, consolidation costs resulting from the composite can operations acquired last year from Crown, Cork & Seal, and the partial closing of a high density film plant.

For the first six months of 2000, sales were $1.36 billion, versus $1.17 billion in the same period last year. Strong volume in the first quarter of 2000, coupled with selling price increases implemented throughout the first six months of 2000, increased year-over-year sales by $126 million. In addition, acquisitions (net of dispositions) increased sales by $67 million. This year's first half sales included six more calendar days (4 to 6 more billing days, depending on the specific business) in the first quarter than in the previous year. Net income for the first half of 2000 was $91.4 million, versus $87.8 million for the same period in 1999, excluding a $3.5 million non-recurring gain in the first quarter of 1999. Earnings per diluted share for the first six months of 2000 were $.91, versus $.85 in the same period of 1999, excluding this non-recurring gain.

"As previously indicated, our second quarter was expected to be the most difficult comparison during 2000 because of normal delays in price/cost recovery. The price of our principal raw material, old corrugated containers (OCC), averaged $126 per ton during this year's second quarter. This represented an increase of approximately 100% over the same period last year. Meanwhile, average resin prices, which primarily impact our high density film and flexible businesses, were 38% higher than for the second quarter of 1999," explained Browning.

"To offset rising energy and transportation costs and other materials and general operating cost increases, Sonoco implemented price increases for its engineered carriers products in North America of 6 - 9%, effective May 1, 2000 and in Europe of 8 - 12%, effective May 15, 2000. As a result of these price increases, the relationship of selling prices relative to material costs improved during the second quarter in both the North American and European businesses. The Company's high density film business implemented two 7.5% price increases effective April 10 and May 10 and although it remains profitable, continues to experience a negative price/cost ratio. The Company's printed flexible packaging and composite can businesses have also implemented price increases. By the end of the second quarter, the Company's overall price/cost relationship turned positive by approximately $3 million, having been negative through most of the first six months. An unfavorable product mix more than offset this favorable price/cost relationship for the first half.

"In December, the Company said it expected earnings per share (EPS) growth of 8 - 10% for the year 2000, depending on volume and raw material costs. At the end of the first quarter, we said that because of better than expected volume in the first quarter, and pricing implemented but not yet fully realized, we anticipated EPS growth for the year to be closer to 10%," said Browning. "In the last half of the year, we expect to receive the full benefit of price increases in the third quarter, the benefit of recent decreases in OCC prices, improvements in resin costs and increased composite can volume based on current customer forecasts. We previously indicated that the Graphic flexible packaging acquisition made early last September would be earnings neutral for the first twelve months. That acquisition is now slightly accretive.

"However, based on softening volumes in several industries experienced in June, we are revising our guidance for EPS growth in 2000 to the lower end of the 8 - 10% range," explained Browning. "Certainly one month does not establish a trend. We feel, however, that this adjustment in earnings guidance is prudent pending another couple of months of operating results," he added.

"We expect solid earnings improvement in 2000 and beyond based on our strategy of top line growth, including acquisitions, in five business segments: global engineered carriers, composite cans, designed interior packaging, printed flexible packaging and packaging services. We shall also take our already successful productivity improvement efforts to an even higher level, reflecting a more aggressive Six Sigma training program. In addition, we have stepped up capital effectiveness efforts emphasizing a reduced cash- to-cash cycle and expect free cash flow in the range of $150 million in 2000, exceeding our previously announced target of $130 million. We also continue our industry leading commitment to the e-marketplace, including value adding B2B/supply chain management and current e-commerce initiatives, utilizing significantly enhanced information technology capabilities," added Browning.

"These efforts are directed toward reaching Standard & Poor's top quartiles for return on equity and invested capital, plus providing at least a 10% increase in earnings per share over each economic cycle and sustainable average annual total return to shareholders in excess of 10%," stated Browning.

"We will accomplish these goals by maximizing the return on our strong free cash flow, significant ongoing productivity improvement and vigorous commitment to growth through acquisitions and new product and service development," concluded Browning. Segment Review

Consumer Packaging

The consumer packaging segment includes composite cans; flexible packaging (printed flexibles, high density bag and film products, and container seals); and packaging services and specialty products (e-marketplace, graphics management, folding cartons, and paper glass covers and coasters).

Second quarter sales for the consumer segment were $311.4 million, versus $271.6 million from ongoing operations in the same period last year, a 14.6% increase. Operating profit for this segment was $29.1 million, versus $36.5 million in the second quarter of 1999. Second quarter 1999 results included a gain of $2 million from the sale of land and buildings.

First half sales from ongoing operations in the consumer segment were $624.3 million, versus $517.3 million in the same period of 1999. Operating profit in this segment for the six months was $60.3 million, versus $68.2 million in the same period last year.

The increase in second quarter sales in the consumer segment resulted primarily from acquisitions and higher selling prices, compared with the same period in 1999. Sales reflect the third quarter 1999 acquisitions of the flexible packaging businesses of Graphic Packaging Corporation and Crown, Cork and Seal's composite can business. The decrease in operating profit primarily reflects the negative impact of unrecovered resin price increases in the high density bag and film business, which experienced a 38% increase in average resin costs during the second quarter of 2000, compared with the same period last year, and was approximately $4 million short of covering these increases. Also impacting operating profits were declines in composite can volumes and changes in product mix, including decreased volume in snack foods, refrigerated dough and powdered beverages, reflecting in part a continued reduction by certain customers of excess inventories and seasonal demand changes. Composite can volumes increased in the second quarter for nuts and frozen concentrate. Overall composite can volumes are expected to be on track for the second half of the year based on current customer forecasts.

Industrial Packaging

The industrial packaging segment includes engineered carriers (paper and plastic tubes and cores, paper manufacturing and recovered paper operations) and protective packaging (designed interior packaging and protective reels).

Second quarter 2000 sales in the industrial packaging segment were $377.3 million, versus $338.4 million, an 11.5% increase over the same period in 1999. Operating profit in this segment was $56.4 million, a 17.7% increase over $48.0 million in the 1999 second quarter. Last year's second quarter results included a $2.4 million charge related to redundancies in Europe and the closing of a paper machine at the Company's Stainland mill in England.

Sales for the first half of 2000 in this segment were $740.7 million, versus $646.3 million in the same period of 1999, a 14.6% increase. Operating profits for the industrial segment in the first half of 2000 were $109.4 million, versus $91.4 million, a 19.7% increase.

The increase in second quarter sales and profit in the industrial segment resulted from improved productivity and the impact of price increases for engineered carriers in response to higher general operating and raw material costs. The second quarter also benefited from increased recovered paper operations profit which more than offset the negative price/OCC relationship. With OCC prices now declining, profits will decrease in recovered paper operations; however, overall paper costs will be lowered.

Corporate

Net interest expense increased $4.3 million quarter over quarter due to higher average interest rates, coupled with higher debt balances from funding acquisitions and stock repurchases.

Sonoco, founded in 1899, is a $2.5 billion manufacturer of industrial and consumer packaging products and provider of packaging services, with 285 operations in 33 countries serving customers in some 85 nations. For more information on Sonoco, visit our website at www.sonoco.com .

Cautionary statements

Statements included herein that are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on current expectations, estimates and projections about the company's industry, management's beliefs and certain assumptions made by management. Such information includes, without limitation, discussions as to estimates, expectations, beliefs, plans, strategies and objectives concerning the company's future financial and operating performance.

These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. Such risks and uncertainties include, without limitation: availability and pricing of raw materials; success of new product development and introduction; ability to maintain or increase productivity levels; international, national and local economic and market conditions; ability to maintain market share; pricing pressures and demand for products; continued strength of the company's paperboard-based tube, core and composite can operations; and currency stability and the rate of growth in foreign markets. Additional information concerning some of the factors that could cause materially different results is included in the company's reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission. Such reports are available from the Securities and Exchange Commission's public reference facilities and its Internet website or from the Company's investor relations department.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Dollars and shares in thousands except per share)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	July 02, 2000	June 27, 1999	July 02, 2000	June 27, 1999
Sales	$688,686	$611,754	$1,364,985	$1,172,233
Cost of sales	533,804	466,632	1,058,442	892,534
Selling, general and administrative expenses	69,369	60,745	136,795	120,015
Gain on assets held for sale	-	-	-	3,500

Income before interest and taxes	85,513	84,377	169,748	163,184
Interest expense	(15,164)	(11,846)	(30,683)	(24,316)
Interest income	735	1,692	1,498	2,730
Income before income taxes	71,084	74,223	140,563	141,598
Provision for income taxes	26,992	28,575	53,414	53,166
Income before equity in earnings of affiliates/ Minority interest in subsidiaries	44,092	45,648	87,149	88,432
Equity in earnings of affiliates/Minority interest in subsidiaries	2,308	1,716	4,268	2,879
Net income	$ 46,400	$ 47,364	$ 91,417	$ 91,311
Average shares outstanding - diluted	99,716	102,842	100,408	102,829
Diluted earnings per share	$ .47	$ .46	$ .91	$ .89
Dividends per common share	$ .20	$ .19	$ .39	$ .37

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	July 02, 2000	Dec. 31, 1999
Assets		
Current Assets:		
Cash and cash equivalents	$42,803	$36,515
Trade accounts receivable	362,471	346,845
Other receivables	22,468	28,847
Inventories	275,518	248,364
Prepaid expenses and deferred taxes	39,816	62,510
	743,076	723,081
Property, plant and equipment, net	999,614	1,032,503
Cost in excess of fair value of assets purchased, net	244,994	254,580
Other assets	297,053	286,856
	$ 2,284,737	$ 2,297,020
Liabilities and Shareholders' Equity		
Current Liabilities:		
Payable to suppliers and others	$359,262	$332,034
Notes payable and current portion of long-term debt	59,739	84,597
Taxes on income	2,156	-
	421,157	416,631
Long-term debt	813,544	819,540
Postretirement benefits other than pensions	32,263	36,278
Deferred income taxes and other	134,751	123,351
Shareholders' equity	883,022	901,220
	$ 2,284,737	$ 2,297,020

FINANCIAL SEGMENT INFORMATION (Unaudited)
(Dollars in thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	July 02, 2000	June 27, 1999	July 02, 2000	June 27, 1999
Net Sales				
Industrial Packaging	$ 377,289	$ 338,381	$ 740,651	$ 646,271
Consumer Packaging	311,397	271,613	624,334	517,289

Other*	-	1,760	-	8,673
Consolidated	$ 688,686	$ 611,754	$1,364,985	$1,172,233
Operating Profit				
Industrial Packaging	$ 56,437	$ 47,969	$ 109,436	$ 91,404
Consumer Packaging	29,076	36,460	60,312	68,204
Other*	-	(52)	-	76
Net gain on sales of divested assets	-	-	-	3,500
Interest, net	(14,429)	(10,154)	(29,185)	(21,586)
Consolidated	$ 71,084	$ 74,223	$ 140,563	$ 141,598

* Includes net sales and operating profits of divested businesses.

SOURCE Sonoco

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