Sonoco to Invest $83 Million to Strengthen Uncoated Recycled Paperboard Mill System in U.S. and Canada

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HARTSVILLE, S.C., April 13, 2020 (GLOBE NEWSWIRE) -- Sonoco (NYSE: SON), one of the largest diversified global packaging companies, today announced that its Board of Directors has approved an $83 million investment to strengthen its uncoated recycled paperboard (URB) mill system in the United States and Canada. The majority of the investment includes transforming its Hartsville, S.C., corrugated medium machine (No. 10 machine) into a state-of-the-art URB machine with annual production capacity of approximately 180,000 tons.

The new Hartsville machine will be designed with the goal of being the largest and lowest cost URB machine in the world, with the capability of producing a wide range of high-value paper grades to service Sonoco’s industrial and consumer converted products businesses and external trade customers. Sonoco is one of the world’s leading producers of URB, with 12 mills and 20 machines in the U.S. and Canada. As a result of the Hartsville No. 10 machine conversion, Sonoco will be exiting the corrugated medium market by the end of 2021, and the expected efficiency of the converted machine will give the Company the opportunity to rationalize some of the higher cost assets in its mill system.

“We are calling this investment Project Horizon, as we will be creating a much brighter future for our domestic URB mill system while resolving the volatility we have experienced as an independent producer of corrugated medium from our No. 10 machine. These investments will drive significant operating cost savings, ensure the long-term viability of our Hartsville paper mill complex and place our U.S. and Canada URB mill system into the top quartile of performance from a cost perspective,” said Howard Coker, Sonoco president and chief executive officer.

The Hartsville No. 10 machine conversion will start with the development of a new recycled fiber stock prep system, which will allow the Hartsville paper mill complex to use a wide range of low-cost mixed paper and Old Corrugated Containers (OCC). The No. 10 machine is a high-speed fourdrinier machine that will be upgraded with new forming, pressing and roll finishing/handling capabilities as well as new electronics and controls technology. Design work and stock prep development will begin in the second half of 2020, and the machine conversion should be completed and on-line by early 2022. As part of the mill system optimization program, Sonoco will also increase capacity of its Wisconsin Rapids, WI, mill.

After the full ramp up of production, the mill system investment is projected to provide approximately $24 million in annual cost savings starting in 2023, while delivering returns well above the cost of capital. Sonoco also expects to drive additional savings from supply chain optimization, increased consumption of low-cost mixed paper along with environmental and power consumption savings.

In a related announcement, Sonoco is permanently closing its No. 3 URB paper machine in Hartsville and its Trent Valley, Ontario, Canada paper mill due to market conditions. The Company will work with affected Hartsville employees to transition them into other roles in the Hartsville mill complex or provide retirement or other benefits. In Trenton, the Company will work with Unifor Local 1489 to develop a Memorandum of Closure agreement.

Earnings Conference Call Webcast
Sonoco management will host a conference call and webcast to review its first quarter 2020 earnings, provide a COVID-19 update and discuss the URB optimization investment beginning at 11 a.m. ET on Thursday, April 16, 2020. The live conference call and a corresponding presentation can be accessed via the Internet at www.sonoco.com, under the Investor Relations section, or at http://investor.sonoco.com.

About Sonoco
Founded in 1899, Sonoco (NYSE: SON) is a global provider of a variety of consumer packaging, industrial products, protective packaging, and displays and packaging supply chain services. With annualized net sales of approximately $5.4 billion, the Company has 23,000 employees working in approximately 300 operations in 36 countries, serving some of the world’s best known brands in some 85 nations. Sonoco is committed to creating sustainable products, services and programs for our customers, employees and communities that support our corporate purpose of Better Packaging. Better Life. The Company ranked first in the Packaging sector on Fortune’s World’s Most Admired Companies for 2020 as well as Barron’s 100 Most Sustainable Companies. For more information, visit www.sonoco.com.

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