

## **Sonoco Products Company**

### **Reconciliation of Non-GAAP Financial Measures**

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP financial measures used by the Company, together with the most directly comparable financial measures calculated in accordance with GAAP, and a reconciliation of the differences between the non-GAAP financial measures disclosed and the most directly comparable financial measures calculated in accordance with GAAP.

#### **Definition and Reconciliation of Non-GAAP Financial Measures**

Measures calculated and presented in accordance with generally accepted accounting principles are referred to as GAAP financial measures. The following tables reconcile the Company's non-GAAP financial measures to their most directly comparable GAAP financial measures in the Company's Consolidated Statements of Income for each of the periods presented. These non-GAAP financial measures (referred to as "Base") reflect adjustments to the Company's GAAP results to exclude amounts, including the associated tax effects, relating to:

- restructuring initiatives;
- asset impairment charges;
- acquisition/divestiture-related costs;
- gains or losses from the divestiture of businesses;
- losses from the early extinguishment of debt;
- non-operating pension costs;
- amortization expense on acquisition intangibles;
- changes in last-in, first-out ("LIFO") inventory reserves;
- certain income tax events and adjustments; and
- other items, if any.

Restructuring and restructuring-related asset impairment charges are a recurring item as Sonoco's restructuring programs usually require several years to fully implement and the Company is continually seeking to take actions that could enhance its efficiency. Although recurring, these charges are subject to significant fluctuations from period to period due to the varying levels of restructuring activity and the inherent imprecision in the estimates used to recognize the impairment of assets and the wide variety of costs and taxes associated with severance and termination benefits in the countries in which the restructuring actions occur.

Similarly, non-operating pension expense is a recurring item. However, this expense is subject to significant fluctuations from period to period due to changes in actuarial assumptions, global financial markets (including stock market returns and interest rate changes), plan changes, settlements, curtailments, and other changes in facts and circumstances.

The adjusted non-GAAP results are identified using the term "base," for example, "base operating profit," "base net income," and "base EPS." The Company's management believes the exclusion of these items improves the period-to-period comparability and analysis of the underlying financial performance of the business. As previously disclosed, the Company modified its definition of base results to include adjustments for amortization-related expense on acquisition intangibles starting in 2022. Prior period results have been revised to conform to this presentation. This change was made to better align the Company's definitions of base results with those of its peers, to better reflect the Company's operating performance, and to increase the usefulness of such measures to the investing community.

The Company uses the non-GAAP financial measure of "segment operating profit" which is synonymous with "base operating profit" to describe operating profit at a segment level. The Company believes this presentation improves comparability and analysis of segment and results.

The Company uses the non-GAAP financial measure of "Base EBITDA" to evaluate overall performance. The Company believes that this measure provides Sonoco's management, board of directors, investors, potential investors, securities analysts and others with useful information to evaluate its performance because it excludes restructuring and other costs and other items that management believes are not indicative of the ongoing operating results of the business. Sonoco's management and board use this information to evaluate the Company's performance relative to other periods. The Company believes that the most directly comparable GAAP financial measure is net income attributable to Sonoco. Base EBITDA can be derived from the Company's Consolidated Statements of Income and Cash Flows. A reconciliation of net income attributable to Sonoco to EBITDA is provided herein.

The Company also uses the non-GAAP financial measure of "free cash flow," which it defines as cash flow from operations minus net capital expenditures. Net capital expenditures are defined as capital expenditures minus proceeds from/costs incurred in the disposition of capital assets. Free cash flow may not represent the amount of cash flow available for general discretionary use because it excludes non-discretionary expenditures, such as mandatory debt repayments and required settlements of recorded and/or contingent liabilities not reflected in cash flow from operations.

The Company's non-GAAP financial measures are not in accordance with, nor an alternative for, measures conforming to generally accepted accounting principles and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. Sonoco continues to provide all information required by GAAP, but it believes that evaluating its ongoing operating results may not be as useful if an investor or other user is limited to reviewing only GAAP financial measures. The Company consistently applies its non-GAAP "base" performance measures presented herein and uses them for internal planning and forecasting purposes, to evaluate its ongoing operations, and to evaluate the ultimate performance of management and each business unit against plan/forecast all the way up through the evaluation of the Chief Executive Officer's performance by the Board of Directors. In addition, these same non-GAAP financial measures are used in determining incentive compensation for the entire management team and in providing earnings guidance to the investing community.

Sonoco management does not, nor does it suggest that investors should, consider these non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Material limitations associated with the use of such measures include that they do not reflect all costs included in operating expenses and may not be comparable with similarly named financial measures of other companies. Furthermore, these non-GAAP financial measures are based on subjective determinations of management regarding the nature and classification of events and circumstances.

Sonoco presents these non-GAAP financial measures to provide users with information to evaluate Sonoco's operating results in a manner similar to how management evaluates business performance. To compensate for any limitations in such non-GAAP financial measures, management believes that it is useful in understanding and analyzing the results of the business to review both GAAP information and the related non-GAAP financial measures.

Whenever Sonoco uses a non-GAAP financial measure, except with respect to base earnings per share guidance, it provides a reconciliation of the non-GAAP financial measure to the most directly comparable GAAP financial measure. Investors are encouraged to review and consider these reconciliations.

**For the three months ended December 31, 2022**

<i>Dollars in thousands, except per share data</i>	GAAP	Restructuring/ Asset Impairments <sup>(1)</sup>	Amortization of Acquisition Intangibles <sup>(2)</sup>	Acquisition/ Divestiture Related Costs <sup>(3)</sup>	Other Adjustments <sup>(4)</sup>	Base
Operating profit	\$ 126,918	\$ 13,553	\$ 20,065	\$ 7,555	\$ 15,739	\$ 183,830
Non-operating pension costs	2,822	—	—	—	(2,822)	—
Interest expense, net	29,250	—	—	—	—	29,250
Income before income taxes	94,846	13,553	20,065	7,555	18,561	154,580
Provision for income taxes	1,797	3,930	4,888	2,110	20,182	32,907
Income before equity in earnings of affiliates	93,049	9,623	15,177	5,445	(1,621)	121,673
Equity in earnings of affiliates, net of tax	4,056	—	—	—	—	4,056
Net income	97,105	9,623	15,177	5,445	(1,621)	125,729
Net (income)/loss attributable to noncontrolling interests	99	(385)	—	—	—	(286)
Net income attributable to Sonoco	97,204	9,238	15,177	5,445	(1,621)	125,443
Per diluted common share*	\$ 0.98	\$ 0.09	\$ 0.15	\$ 0.06	\$ (0.02)	\$ 1.27

\*Due to rounding individual items may not sum across

(1) The Company recognized net restructuring and asset impairment charges related to severance, asset write-offs and other restructuring activities of approximately \$13,500.

(2) Beginning in 2022, the Company redefined base results to exclude amortization of intangible assets related to acquisitions.

(3) Includes costs related to potential and actual acquisitions and divestitures.

(4) Includes non-operating pension costs, changes in LIFO inventory reserves, unrealized losses related to the Company's commodity derivatives hedges of approximately \$11,000, and the release of valuation allowances on foreign tax credits of approximately \$14,600

**For the three months ended December 31, 2021**

<i>Dollars in thousands, except per share data</i>	<b>GAAP</b>	<b>Restructuring/ Asset Impairments<sup>(1)</sup></b>	<b>Amortization of Acquisition Intangibles<sup>(2)</sup></b>	<b>Acquisition/ Divestiture Related Costs<sup>(3)</sup></b>	<b>Other Adjustments<sup>(4)</sup></b>	<b>Base</b>
Operating profit	\$ 104,741	\$ 5,321	\$ 12,302	\$ 5,219	\$ 9,377	\$ 136,960
Non-operating pension costs	5,598	—	—	—	(5,598)	—
Interest expense, net	12,491	—	—	—	—	12,491
Income before income taxes	86,652	5,321	12,302	5,219	14,975	124,469
Provision for income taxes	24,112	2,710	3,047	550	(739)	29,680
Income before equity in earnings of affiliates	62,540	2,611	9,255	4,669	15,714	94,789
Equity in earnings of affiliates, net of tax	5,140	—	—	—	(1,394)	3,746
Net income	67,680	2,611	9,255	4,669	14,320	98,535
Net (income) attributable to noncontrolling interests	(2,523)	—	—	—	2,052	(471)
Net income attributable to Sonoco	\$ 65,157	\$ 2,611	\$ 9,255	\$ 4,669	\$ 16,372	\$ 98,064
Per diluted common share*	\$ 0.66	\$ 0.03	\$ 0.09	\$ 0.05	\$ 0.16	\$ 0.99

\*Due to rounding individual items may not sum across

(1) The Company recognized net restructuring and asset impairment charges related to severance, asset write-offs and other restructuring activities of approximately \$5,100.

(2) Beginning in 2022, the Company redefined base results to exclude amortization of intangible assets related to acquisitions.

(3) Includes costs related to potential and actual acquisitions and divestitures.

(4) Other adjustments are primarily comprised of costs related to non-operating pension costs (including settlement charges), losses on the early extinguishment of debt, gains from insurance proceeds, and gains/losses from the divestiture of businesses, net of the applicable tax effect.

**For the year ended December 31, 2022**

<i>Dollars in thousands, except per share data</i>	GAAP	Restructuring/ Asset Impairments <sup>(1)</sup>	Amortization of Acquisition Intangibles <sup>(2)</sup>	Acquisition/ Divestiture Related Costs <sup>(3)</sup>	Other Adjustments <sup>(4)</sup>	Base
Operating profit	\$ 675,396	\$ 56,910	\$ 80,427	\$ 70,210	\$ 36,922	\$ 919,865
Non-operating pension costs	7,073	—	—	—	(7,073)	—
Interest expense, net	97,041	—	—	—	136	97,177
Income before income taxes	571,282	56,910	80,427	70,210	43,859	822,688
Provision for income taxes	118,509	11,269	19,554	17,640	29,788	196,760
Income before equity in earnings of affiliates	452,773	45,641	60,873	52,570	14,071	625,928
Equity in earnings of affiliates, net of tax	14,207	—	—	—	—	14,207
Net income	466,980	45,641	60,873	52,570	14,071	640,135
Net (income) attributable to noncontrolling interests	(543)	(99)	—	—	—	(642)
Net income attributable to Sonoco	466,437	45,542	60,873	52,570	14,071	639,493
Per diluted common share*	\$ 4.72	\$ 0.46	\$ 0.62	\$ 0.53	\$ 0.14	\$ 6.48

\*Due to rounding individual items may not sum across

(1) In 2022, the Company recognized net restructuring and asset impairment charges related to severance, asset write offs and other restructuring activities of approximately \$47,000. Additionally, charges of approximately \$9,200 were recognized as a result of the Company's decision to exit its operations in Russia given the ongoing Russia-Ukraine conflict.

(2) Beginning in 2022, the Company redefined base results to exclude amortization of intangible assets related to acquisitions.

(3) Consists primarily of legal and professional fees related to acquisition and divestiture transactions, whether proposed or consummated, of approximately \$37,000, as well as fair value adjustments to acquisition-date inventory related to Metal Packaging of approximately \$33,000.

(4) Includes non-operating pension costs, unrealized losses related to commodity hedges of approximately \$8,000, change in LIFO inventory reserves of approximately \$28,000, and the release of valuation allowances on foreign tax credits of approximately \$13,200.

**For the year ended December 31, 2021**

<i>Dollars in thousands, except per share data</i>	GAAP	Restructuring/ Asset Impairments <sup>(1)</sup>	Amortization of Acquisition Intangibles <sup>(2)</sup>	Acquisition/ Divestiture Related Costs <sup>(3)</sup>	Other Adjustments <sup>(4)</sup>	Base
Operating profit	\$ 486,853	\$ 14,210	\$ 49,419	\$ 17,722	\$ (3,420)	\$ 564,784
Non-operating pension costs	568,416	—	—	—	(568,416)	—
Interest expense, net	59,235	—	—	—	2,165	61,400
Loss from the early extinguishment of debt	20,184	—	—	—	(20,184)	—
(Loss)/Income before income taxes	(160,982)	14,210	49,419	17,722	583,015	503,384
(Income)/Provision for income taxes	(67,430)	5,363	12,241	3,535	165,531	119,240
(Loss)/Income before equity in earnings of affiliates	(93,552)	8,847	37,178	14,187	417,484	384,144
Equity in earnings of affiliates, net of tax	10,841	—	—	—	(1,394)	9,447
Net (loss)/ income	(82,711)	8,847	37,178	14,187	416,090	393,591
Net (income) attributable to noncontrolling interests	(2,766)	—	—	—	2,052	(714)
Net (loss)/income attributable to Sonoco	\$ (85,477)	\$ 8,847	\$ 37,178	\$ 14,187	\$ 418,142	\$ 392,877
Diluted weighted average common shares outstanding <sup>(5)</sup> :	99,608				469	100,077
Per diluted common share*	\$ (0.86)	\$ 0.09	\$ 0.37	\$ 0.14	\$ 4.18	\$ 3.93

\*Due to rounding individual items may not sum across

(1) Restructuring/Asset impairment charges are a recurring item as Sonoco's restructuring actions usually require several years to fully implement and the Company is continually seeking to take actions that could enhance its efficiency. Although recurring, these charges are subject to significant fluctuations from period to period due to the varying levels of restructuring activity and the inherent imprecision in the estimates used to recognize the impairment of assets and the wide variety of costs and taxes associated with severance and termination benefits in the countries in which the restructuring actions occur.

(2) Beginning in 2022, the Company redefined base results to exclude amortization of intangible assets related to acquisitions.

(3) Includes costs related to potential and actual acquisitions and divestitures.

(4) Non-operating pension costs include settlement charges of approximately \$551,000 related primarily to the settlement of the Sonoco Pension Plan for Inactive Participants (the "Inactive Plan") in the second quarter.

(5) Due to the magnitude of Non-Base losses in the second quarter 2021, the Company reported a GAAP Net Loss Attributable to Sonoco. In instances where a company has a net loss, GAAP requires that the company shall not consider any unexercised share awards or other like instruments dilutive for purposes of calculating weighted average shares outstanding. Accordingly, the Company did not consider any unexercised share awards dilutive in calculating weighted average shares outstanding for GAAP purposes in the table above, which resulted in Basic Weighted Average Shares Outstanding and Diluted Weighted Average Common Shares Outstanding being the same. However, the Company also presents Base Net Income Attributable to Sonoco, which excludes the net Non-Base items. In order to maintain consistency in the computation of Base Diluted EPS, unexercised stock instruments that meet GAAP requirements for dilution were considered dilutive to the same extent they would be if GAAP Net Income Attributable to Sonoco were equal to Base Net Income Attributable to Sonoco.

FREE CASH FLOW	Twelve Months Ended	
	December 31, 2022	December 31, 2021
Net cash provided by operating activities	\$ 509,049	\$ 298,672
Purchase of property, plant and equipment, net	\$ (319,148)	\$ (242,853)
Free Cash Flow	<u>\$ 189,901</u>	<u>\$ 55,819</u>

\*Excluding the net \$124 million pension contributions made to fund the Sonoco Pension Plan for Inactive Participants in advance of the pension liability settlements, free cash flow would have been \$180 million.

FREE CASH FLOW	Year Ended	
	Estimated Low	Estimated High
	December 31, 2023	December 31, 2023
Net cash provided by operating activities	\$ 925,000	\$ 975,000
Purchase of property, plant and equipment, net	(375,000)	(325,000)
Free Cash Flow	<u>\$ 550,000</u>	<u>\$ 650,000</u>

**EBITDA Reconciliation**

	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<i>Dollars in thousands, except per share data</i>				
<b>Net income/(loss) attributable to Sonoco</b>	\$ 97,203	\$ 65,158	\$ 466,436	\$ (85,477)
<b>Adjustments</b>				
Interest expense	30,420	13,223	101,662	63,991
Less: Interest income	(1,170)	(732)	(4,621)	(4,756)
Provision for/(Benefit from) income taxes	1,797	24,112	118,509	(67,430)
Depreciation, depletion, and amortization	77,729	59,150	308,824	245,184
Less: Equity in earnings of affiliates, net of tax	(4,056)	(5,140)	(14,207)	(10,841)
Less: Net income attributable to noncontrolling interests	(99)	2,522	543	2,766
<b>EBITDA</b>	\$ 201,824	\$ 158,293	\$ 977,146	\$ 143,437
Restructuring/Asset impairment charges	13,553	5,321	56,910	14,210
Changes in LIFO inventory reserves	3,357	—	28,445	—
Loss from the early extinguishment of debt	—	—	—	20,184
Non-operating pension costs	2,822	5,598	7,073	568,416
Acquisition/Divestiture related costs	7,555	5,219	70,210	17,722
Other non-GAAP adjustments	12,382	9,377	8,477	(3,420)
<b>Base EBITDA</b>	\$ 241,493	\$ 183,808	\$ 1,148,261	\$ 760,549