

Sonoco 3rd Quarter 2019 Results



Investor Presentation

October 2019



Forward Looking Statements/Non-GAAP Financial Measures

Today's presentation contains a number of forward-looking statements based on current expectations, estimates and projections. These statements are not guarantees of future performance and are subject to certain risks and uncertainties. Therefore, actual results may differ materially.

Information about the Company's use of non-GAAP financial measures, why management believes presentation of non-GAAP financial measures provides useful information to investors about the Company's financial condition and results of operations, and the purposes for which management uses non-GAAP financial measures is included in the Company's Annual Report and on the Company's website at sonoco.com under Investor Relations, Webcasts & Presentations, Non-GAAP Reconciliations for Q3 2019 Earnings Presentation.

Pursuant to the requirements of Regulation G, the Company has provided definitions of the non-GAAP measures discussed during this presentation as well as reconciliations of those measures to the most closely related GAAP measure on its website at sonoco.com.

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



EPS Summary

3rd Quarter: 2019 Vs. 2018

	3rd Quarter		Year To Date	
	2019	2018	2019	2018
Actual EPS	\$ 0.91	\$ 0.72	\$ 2.44	\$ 2.34
Addback for:				
Restructuring & Asset Impair, Net	0.05	0.16	0.22	0.21
Non-Operating Pension Costs	0.05	—	0.14	—
Environmental Reserve Release	(0.07)	—	(0.07)	—
Transaction Costs / Other	0.03	(0.02)	0.05	(0.02)
Base EPS*	\$ 0.97	\$ 0.86	\$ 2.78	\$ 2.53
*Due to rounding individual items may not sum down				
Sonoco Guidance	\$0.88 to \$0.94			



P&L Summary (Base)

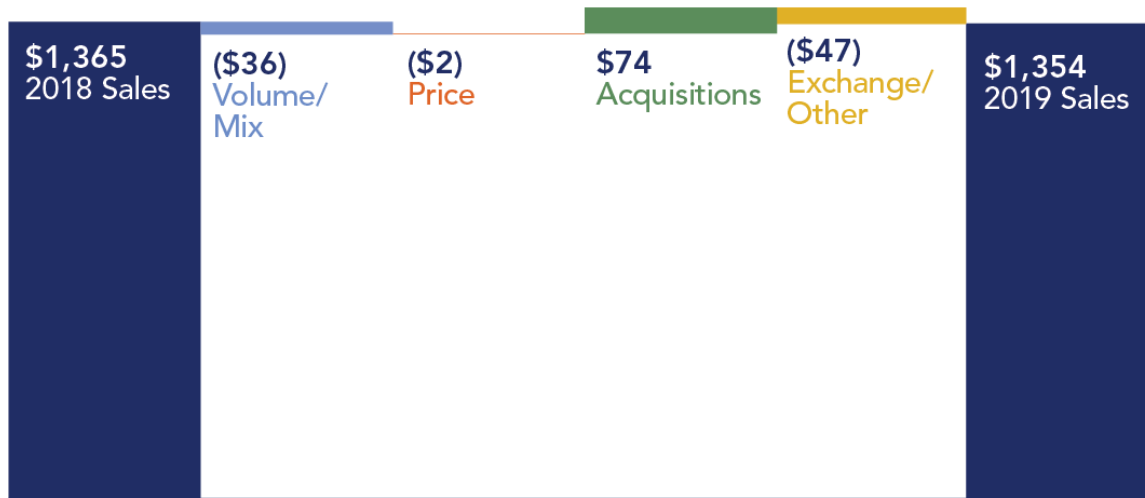
3rd Quarter: 2019 Vs. 2018

Dollars in thousands	2019	2018	Better / (Worse)	
			\$	%
Net sales	\$ 1,353,931	\$ 1,364,762	\$ (10,831)	(0.8)%
Cost of sales	(1,088,446)	(1,105,126)	16,680	1.5%
Gross profit	265,485	259,636	5,849	2.3%
Selling, general and administrative expenses	(126,418)	(135,580)	9,162	6.8%
Operating profit	139,067	124,056	15,011	12.1%
Net interest	(14,756)	(14,502)	(254)	(1.8)%
Income before income taxes	124,311	109,554	14,757	13.5%
Provision for income taxes	(27,734)	(25,929)	(1,805)	(7.0)%
Income before equity in earnings of affiliates	96,577	83,625	12,952	15.5%
Equity in earnings of affiliates, net of tax	1,799	4,049	(2,250)	(55.6)%
Net income	98,376	87,674	10,702	12.2%
Noncontrolling interests	(237)	(433)	196	45.3%
Net income attributable to Sonoco	\$ 98,139	\$ 87,241	\$ 10,898	12.5%
EPS diluted	\$ 0.97	\$ 0.86	\$ 0.11	12.7%
Gross profit %	19.6%	19.0%		
SG&A %	9.3%	9.9%		
Operating profit %	10.3%	9.1%		
Operating profit before D&A%	14.7%	13.3%		
Effective tax rate	22.3%	23.7%		

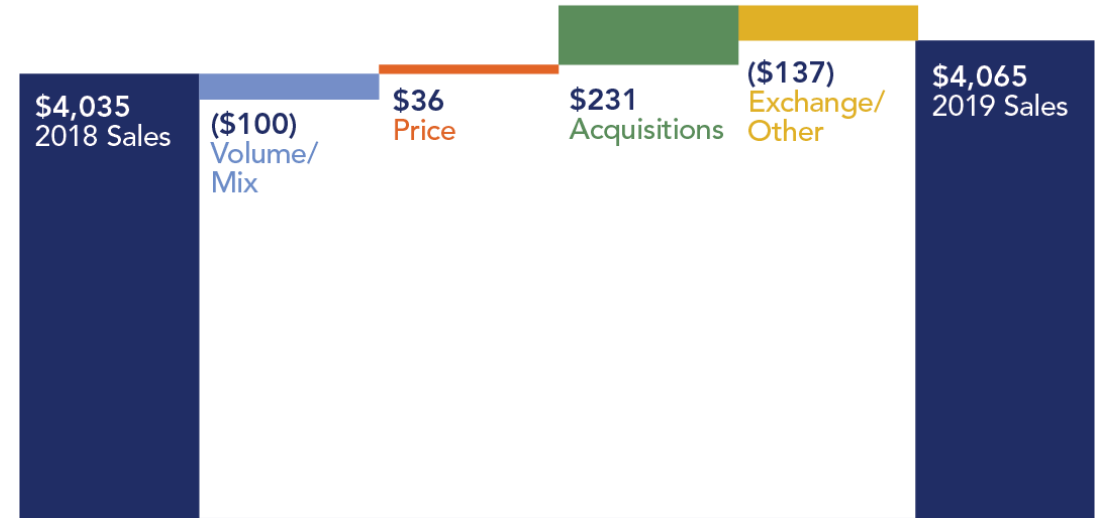


Sales Bridge

Sales Bridge
3rd Quarter: 2019 Vs. 2018
 (Dollars in millions)

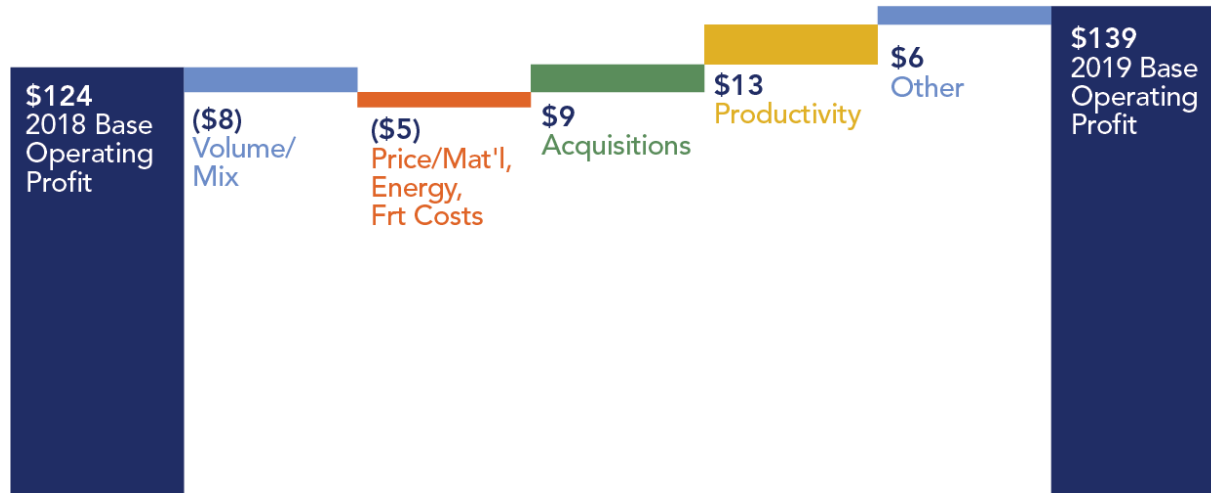


Sales Bridge
YTD: 2019 Vs. 2018
 (Dollars in millions)

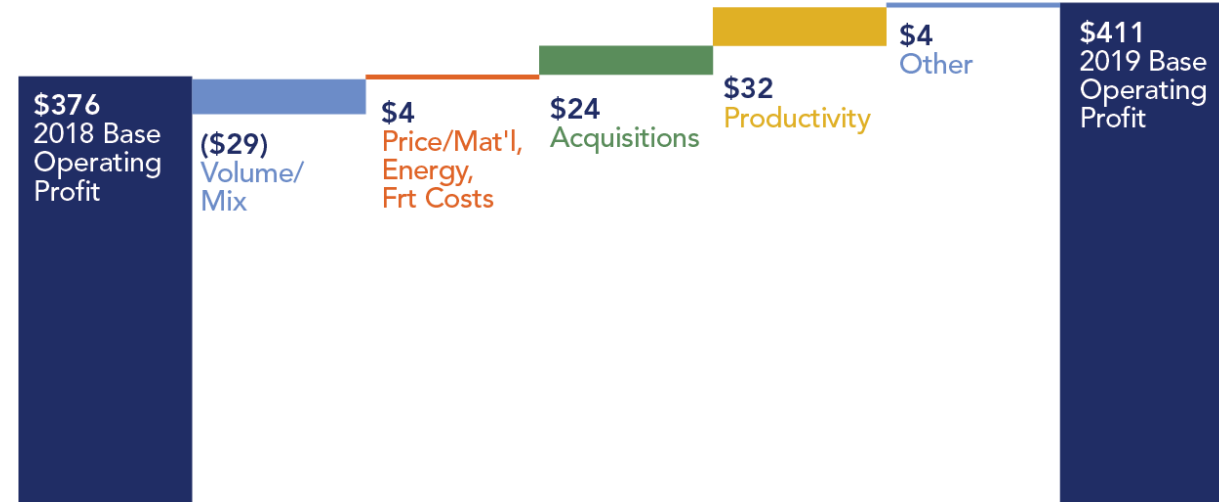


Base Operating Profit Bridge

Base Operating Profit Bridge
3rd Quarter: 2019 Vs. 2018
 (Dollars in millions)



Base Operating Profit Bridge
YTD: 2019 Vs. 2018
 (Dollars in millions)



Segment Analysis

3rd Quarter: 2019 Vs. 2018

Dollars in thousands	NET SALES			BASE OPERATING PROFIT		
	2019	2018	% Chg	2019	2018	% Chg
Consumer Packaging	\$ 581,368	\$ 600,154	(3.1)%	\$ 56,744	\$ 56,014	1.3%
Display & Packaging	145,016	165,164	(12.2)%	8,913	3,703	>100.0%
Paper & Ind Conv Prods	495,829	463,748	6.9%	59,427	53,906	10.2%
Protective Solutions	131,718	135,696	(2.9)%	13,983	10,433	34.0%
	<u>\$ 1,353,931</u>	<u>\$ 1,364,762</u>	<u>(0.8)%</u>	<u>\$ 139,067</u>	<u>\$ 124,056</u>	<u>12.1%</u>

	OPERATING PROFIT AS % OF SALES		MARGIN CHANGE
Consumer Packaging	9.8%	9.3%	0.4%
Display & Packaging	6.1%	2.2%	3.9%
Paper & Ind Conv Prods	12.0%	11.6%	0.4%
Protective Solutions	10.6%	7.7%	2.9%
	<u>10.3%</u>	<u>9.1%</u>	<u>1.2%</u>



Earnings Guidance

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
2018 Base EPS	\$0.74	\$0.93	\$0.86	\$0.84	\$3.37
2019 Base EPS	\$0.85	\$0.95	\$0.97		
2019 Guidance	\$0.77 - \$0.83	\$0.93 - \$0.99	\$0.88 - \$0.94	\$0.72 - \$0.76	\$3.50 - \$3.54

Cash Flow

Year to date: 2019 Vs. 2018

Dollars in thousands

	Year To Date		Year Over Year
	2019	2018	Change
Net income	\$ 247,337	\$ 237,390	\$ 9,947
Asset impairment charges	10,173	9,649	524
Depreciation and amortization	173,085	176,895	(3,810)
Net pension and postretirement plan expenses	(203,698)	(1,603)	(202,095)
Changes in working capital	(41,400)	(22,087)	(19,313)
Other operating activity	53,321	51,272	2,049
Operating cash flow	\$ 238,818	\$ 451,516	\$ (212,698)
Capital expenditures net of dispositions	(144,125)	(111,976)	(32,149)
Cash dividends	(127,169)	(120,651)	(6,518)
Free cash flow	\$ (32,476)	\$ 218,889	\$ (251,365)
Cost of acquisitions, net of cash acquired	\$ (111,009)	\$ (150,995)	\$ 39,986
Net debt proceeds / (Repayments)	\$ 161,142	\$ (55,451)	\$ 216,593

2019 Cash Flow Guidance	
Operating Cash Flow	Free Cash Flow
\$435 million to \$455 million	\$60 million to \$80 million



Balance Sheet

Dollars in thousands	<u>9/29/2019</u>	<u>12/31/2018</u>	<u>Change \$</u>
Cash and cash equivalents	\$ 115,853	\$ 120,389	\$ (4,536)
Trade accounts receivable, net of allowances	773,490	737,420	36,070
Other receivables	105,959	111,915	(5,956)
Inventories	497,634	493,764	3,870
Prepaid expenses and deferred income taxes	71,086	55,784	15,302
Current Assets	\$ 1,564,022	\$ 1,519,272	\$ 44,750
Property, plant and equipment, net	1,249,761	1,233,821	15,940
Right of Use Asset - Operating leases	296,499	—	296,499
Goodwill	1,345,271	1,309,167	36,104
Other intangible assets, net	344,246	352,037	(7,791)
Other assets	186,377	169,168	17,209
Total Assets	\$ 4,986,176	\$ 4,583,465	\$ 402,711
Payable to suppliers and others	923,704	878,969	44,735
Income taxes payable	9,009	8,516	493
Total debt	1,554,966	1,385,162	169,804
Noncurrent operating lease liabilities	252,460	—	252,460
Pension and other postretirement benefits	197,453	374,419	(176,966)
Deferred income taxes and other	194,272	164,121	30,151
Total equity	1,854,313	1,772,278	82,035
Total Liabilities and Shareholders' Equity	\$ 4,986,176	\$ 4,583,465	\$ 402,711
Net debt / Total capital	43.7%	41.6%	
Net debt = Total debt minus cash and cash equivalents			
Total capital = Net debt plus total equity			



Appendix



P&L Summary (Base)

Year to date: 2019 Vs. 2018

Dollars in thousands	2019	2018	Better / (Worse)	
			\$	%
Net sales	\$ 4,065,357	\$ 4,035,322	\$ 30,035	0.7%
Cost of sales	(3,254,415)	(3,248,624)	(5,791)	(0.2)%
Gross profit	810,942	786,698	24,244	3.1%
Selling, general and administrative expenses	(399,580)	(411,093)	11,513	2.8%
Operating Profit	411,362	375,605	35,757	9.5%
Net interest	(46,093)	(42,984)	(3,109)	(7.2)%
Income before income taxes	365,269	332,621	32,648	9.8%
Provision for income taxes	(88,109)	(84,774)	(3,335)	(3.9)%
Income before equity in earnings of affiliates	277,160	247,847	29,313	11.8%
Equity in earnings of affiliates, net of tax	4,240	9,012	(4,772)	(53.0)%
Net income	281,400	256,859	24,541	9.6%
Noncontrolling interests	(607)	(1,556)	949	61.0%
Net income attributable to Sonoco	\$ 280,793	\$ 255,303	\$ 25,490	10.0%
EPS diluted	\$ 2.78	\$ 2.53	\$ 0.25	9.8%
Gross Profit %	19.9%	19.5%		
SG&A %	9.8%	10.2%		
Operating Profit %	10.1%	9.3%		
OPBDA %	14.5%	13.6%		
Effective tax rate	24.1%	25.5%		



Segment Analysis

Year to date: 2019 Vs. 2018

Dollars in thousands

	NET SALES			SEGMENT OPERATING PROFIT		
	2019	2018	% Chg	2019	2018	% Chg
Consumer Packaging	\$ 1,773,834	\$ 1,786,068	(0.7)%	\$ 181,801	\$ 180,772	0.6%
Display & Packaging	417,403	451,082	(7.5)%	21,256	4,865	100.0%
Paper & Ind Conv Prods	1,483,194	1,398,538	6.1%	169,043	155,229	8.9%
Protective Solutions	390,926	399,634	(2.2)%	39,262	34,739	13.0%
	\$ 4,065,357	\$ 4,035,322	0.7%	\$ 411,362	\$ 375,605	9.5%

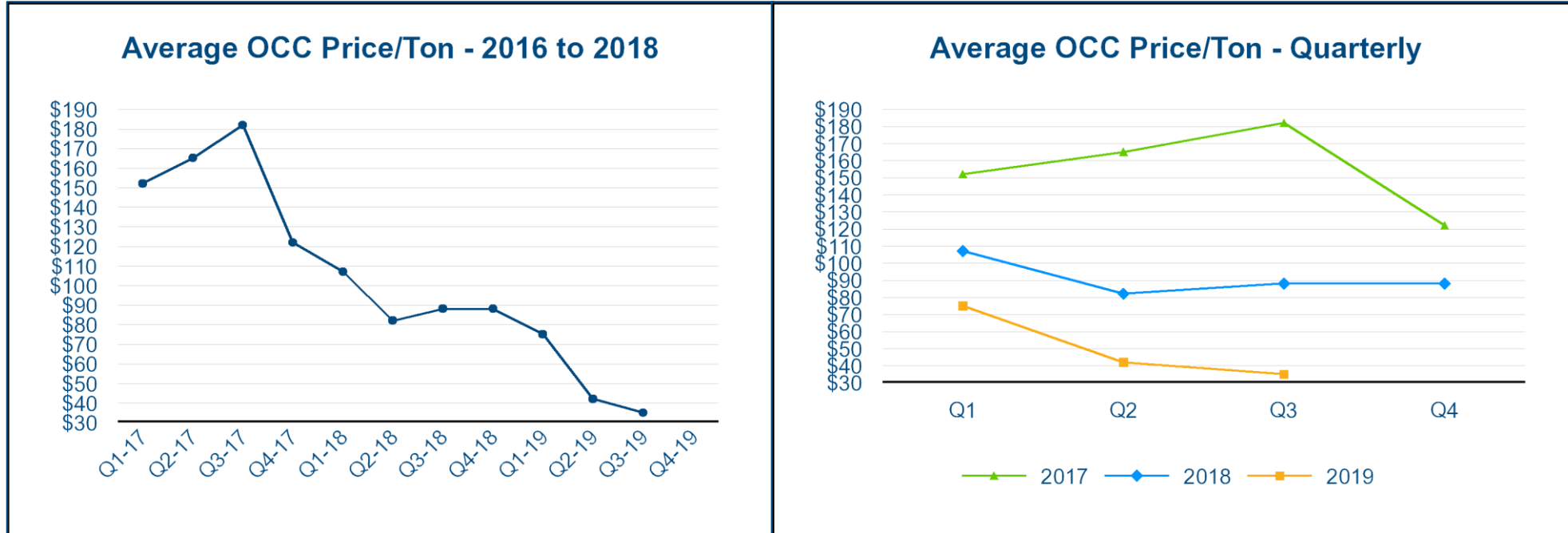
	SEGMENT OPERATING PROFIT AS % OF SALES		MARGIN CHANGE
Consumer Packaging	10.2%	10.1%	0.1%
Display & Packaging	5.1%	1.1%	4.0%
Paper & Ind Conv Prods	11.4%	11.1%	0.3%
Protective Solutions	10.0%	8.7%	1.4%
	10.1%	9.3%	0.8%



OCC: Official Board Market

3rd Quarter: 2019 Vs. 2018 Vs. 2017

(Price/Ton)



	1st Quarter				2nd Quarter				3rd Quarter				4th Quarter			
	J	F	M	Avg	A	M	J	Avg	J	A	S	Avg	O	N	D	Avg
2017	125	145	185	152	175	155	165	165	185	185	175	182	135	115	115	122
2018	115	110	95	107	85	80	80	82	85	90	90	88	90	90	85	88
2019	85	75	65	75	50	40	35	42	35	35	35	35				

