

## **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**

The Company's results determined in accordance with U.S. generally accepted accounting principles (GAAP) are referred to as "as reported" or "GAAP" results. Some of the information presented in this press release reflects the Company's "as reported" or "GAAP" results adjusted to exclude amounts, including the associated tax effects, relating to restructuring initiatives, asset impairment charges, non-operating pension costs or income, environmental reserve charges/releases, acquisition-related costs, gains or losses from the disposition of businesses, excess property insurance recoveries, and certain other items, if any, including other income tax-related adjustments and/or events, the exclusion of which management believes improves comparability and analysis of the ongoing operating performance of the business. These adjustments, which are referred to as "non-base", result in the non-GAAP financial measures referred to in this press release as "Base Earnings" and "Base Earnings per Diluted Share."

These non-GAAP measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP 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. Sonoco uses these non-GAAP financial measures for internal planning and forecasting purposes, to evaluate its ongoing operations, and to evaluate the ultimate performance of 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 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. Sonoco presents these non-GAAP financial measures to provide users information to evaluate Sonoco's operating results in a manner similar to how management evaluates business performance. Material limitations associated with the use of such measures are that they do not reflect all period costs included in operating expenses and may not reflect financial results that are comparable to financial results of other companies that present similar costs differently. Furthermore, the calculations of these non-GAAP measures are based on subjective determinations of management regarding the nature and classification of events and circumstances that the investor may find material and view differently.

To compensate for these limitations, management believes that it is useful in understanding and analyzing the results of the business to review both GAAP information which includes all of the items impacting financial results and the non-GAAP measures that exclude certain elements, as described above. Whenever Sonoco uses a non-GAAP financial measure, except with respect to guidance, it provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Whenever reviewing a non-GAAP financial measure, investors are encouraged to fully review and consider the related reconciliation as detailed below. Fourth-quarter 2020 GAAP guidance is not provided in this release due to the likely occurrence of one or more of the following, the timing and magnitude of which we are unable to reliably forecast: restructuring costs and restructuring-related impairment charges, acquisition related costs, possible gains or losses on the sale of businesses or other assets, and the income tax effects of these items and/or other income tax-related events. These items could have a significant impact on the Company's future GAAP financial results.

**Reconciliation of GAAP to Non-GAAP Financial Measures****For the three months ended September 27, 2020****Dollars and shares in thousands, except per share data**

	Non-GAAP Adjustments			
	GAAP	Restructuring / Asset Impairment Charges(1)	Other Adjustments(2)	Base
Operating profit	\$ 106,744	\$ 24,149	\$ (352)	\$ 130,541
Non-operating pension costs	7,453	—	(7,453)	—
Interest expense, net	18,581	—	—	18,581
Income before income taxes	80,710	24,149	7,101	111,960
Provision for income taxes	(649)	5,668	21,990	27,009
Income before equity in earnings of affiliates	81,359	18,481	(14,889)	84,951
Equity in earnings of affiliates, net of taxes	1,939	—	—	1,939
Net income	83,298	18,481	(14,889)	86,890
Net loss/(income) attributable to noncontrolling interests	151	(6)	—	142
Net income attributable to Sonoco	<u>\$ 83,449</u>	<u>\$ 18,472</u>	<u>\$ (14,889)</u>	<u>\$ 87,032</u>
Per Diluted Share*	<u>\$ 0.82</u>	<u>\$ 0.18</u>	<u>\$ (0.15)</u>	<u>\$ 0.86</u>
*Due to rounding individual items may not sum across				
Effective tax rate	(0.8)%			24.1%

**Reconciliation of GAAP to Non-GAAP Financial Measures****For the three months ended September 29, 2019****Dollars and shares in thousands, except per share data**

	Non-GAAP Adjustments			
	GAAP	Restructuring / Asset Impairment Charges(1)	Other Adjustments(3)	Base
Operating profit	\$ 138,548	\$ 6,615	\$ (6,096)	\$ 139,067
Non-operating pension costs	7,210	—	(7,210)	—
Interest expense, net	14,756	—	—	14,756
Income before income taxes	116,582	6,615	1,114	124,311
Provision for income taxes	26,098	1,805	(169)	27,734
Income before equity in earnings of affiliates	90,484	4,810	1,283	96,577
Equity in earnings of affiliates, net of taxes	1,799	—	—	1,799
Net income	92,283	4,810	1,283	98,376
Net (income) attributable to noncontrolling interests	(219)	(18)	—	(237)
Net income attributable to Sonoco	<u>\$ 92,064</u>	<u>\$ 4,792</u>	<u>\$ 1,283</u>	<u>\$ 98,139</u>
Per Diluted Share*	<u>\$ 0.91</u>	<u>\$ 0.05</u>	<u>\$ 0.01</u>	<u>\$ 0.97</u>
*Due to rounding individual items may not sum across				
Effective tax rate	22.4%			22.3%

- (1) Restructuring/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.
- (2) Consists mainly of non-operating pension costs and costs related to actual and potential acquisitions and divestitures. Also includes a \$20,355 income tax gain related to the write-down of a deferred tax liability related to classifying a business as "held for sale".
- (3) Consists of a \$10,000 gain related to the reduction of an environmental reserve, offset by non-operating pension costs and costs related to acquisitions and potential acquisitions and divestitures.

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

*For the nine months ended September 27, 2020*

*Dollars and shares in thousands, except per share data*

	GAAP	Non-GAAP Adjustments		Base
		Restructuring / Asset Impairment(1)	Other Adjustments(2)	
Operating profit	\$ 340,574	\$ 59,633	\$ 802	\$ 401,009
Non-operating pension costs	22,632	—	(22,632)	—
Interest expense, net	53,311	—	—	53,311
Income before income taxes	264,631	59,633	23,434	347,698
Provision for income taxes	49,337	15,021	24,673	89,031
Income before equity in earnings of affiliates	215,294	44,612	(1,239)	258,667
Equity in earnings of affiliates, net of taxes	3,230	—	—	3,230
Net income	218,524	44,612	(1,239)	261,897
Net (income) attributable to noncontrolling interests	581	(26)	—	555
Net income attributable to Sonoco	\$ 219,105	\$ 44,586	\$ (1,239)	\$ 262,452
Per Diluted Share*	\$ 2.17	\$ 0.44	\$ (0.01)	\$ 2.59

\*Due to rounding individual items may not sum across

Effective tax rate	18.6%	24.1%
--------------------	-------	-------

**Reconciliation of GAAP to Non-GAAP Financial Measures***For the nine months ended September 29, 2019**Dollars and shares in thousands, except per share data*

	GAAP	Non-GAAP Adjustments		Base
		Restructuring / Asset Impairment(1)	Other Adjustments(3)	
Operating profit	\$ 385,204	\$ 30,642	\$ (4,484)	\$ 411,362
Non-operating pension costs	18,801	—	(18,801)	—
Interest expense, net	46,093	—	—	46,093
Income before income taxes	320,310	30,642	14,317	365,269
Provision for income taxes	77,213	7,750	3,146	88,109
Income before equity in earnings of affiliates	243,097	22,892	11,171	277,160
Equity in earnings of affiliates, net of taxes	4,240	—	—	4,240
Net income	247,337	22,892	11,171	281,400
Net (income) attributable to noncontrolling interests	(451)	(156)	—	(607)
Net income attributable to Sonoco	\$ 246,886	\$ 22,736	\$ 11,171	\$ 280,793
Per Diluted Share*	\$ 2.44	\$ 0.22	\$ 0.11	\$ 2.78

\*Due to rounding individual items may not sum across

Effective tax rate 24.1% 22.3%

- (1) Restructuring/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.
- (2) Consists mainly of non-operating pension costs, a \$20,355 income tax gain related to the write-down of a deferred tax liability related to classifying a business as "held for sale", and costs related to actual and potential acquisitions and divestitures. Also includes the impact of settlement of a U.S. Tax Audit.
- (3) Consists of a \$10,000 gain related to the reduction of an environmental reserve, offset by non-operating pension costs and costs related to acquisitions and potential acquisitions and divestitures.

FREE CASH FLOW*	Nine Months Ended	
	September 27, 2020	September 29, 2019
Net cash provided by operating activities	\$ 489,501	\$ 238,818
Purchase of property, plant and equipment, net	(108,427)	(144,125)
Cash dividends	(129,446)	(127,169)
Free Cash Flow	<u>\$ 251,628</u>	<u>\$ (32,476)</u>

FREE CASH FLOW*	Year Ended		
	Estimated Low End	Estimated High End	Actual
	December 31, 2020	December 31, 2020	December 31, 2019
Net cash provided by operating activities	\$ 643,000	\$ 663,000	\$ 425,850
Purchase of property, plant and equipment, net	(180,000)	(180,000)	(181,320)
Cash dividends	(173,000)	(173,000)	(170,253)
Free Cash Flow	<u>\$ 290,000</u>	<u>\$ 310,000</u>	<u>\$ 74,277</u>

\* Free Cash Flow is a non-GAAP measure that does not imply the amount of residual cash flow available for discretionary expenditures, as it excludes mandatory debt service requirements and other non-discretionary expenditures.