

# Sonoco 2nd Quarter 2019 Results



Investor Presentation | July 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](http://sonoco.com) under Investor Relations, Webcasts & Presentations, Non-GAAP Reconciliations for Q2 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](http://sonoco.com).

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



# EPS Summary

2nd Quarter: 2019 Vs. 2018

	2nd Quarter		Year To Date	
	2019	2018	2019	2018
<b>Actual EPS</b>	\$ 0.80	\$ 0.88	\$ 1.53	\$ 1.62
<b>Addback for:</b>				
Restructuring & Asset Impair, Net	0.10	0.02	0.18	0.05
Non-Operating Pension Costs	0.04	(0.01)	0.09	—
Transaction Costs / Other	0.01	0.02	0.01	(0.01)
<b>Base EPS*</b>	\$ 0.95	\$ 0.93	\$ 1.81	\$ 1.66
*Due to rounding individual items may not sum down				
<b>Sonoco Guidance</b>	\$0.93 to \$0.99		\$1.79 to \$1.85	



# P&L Summary (Base)

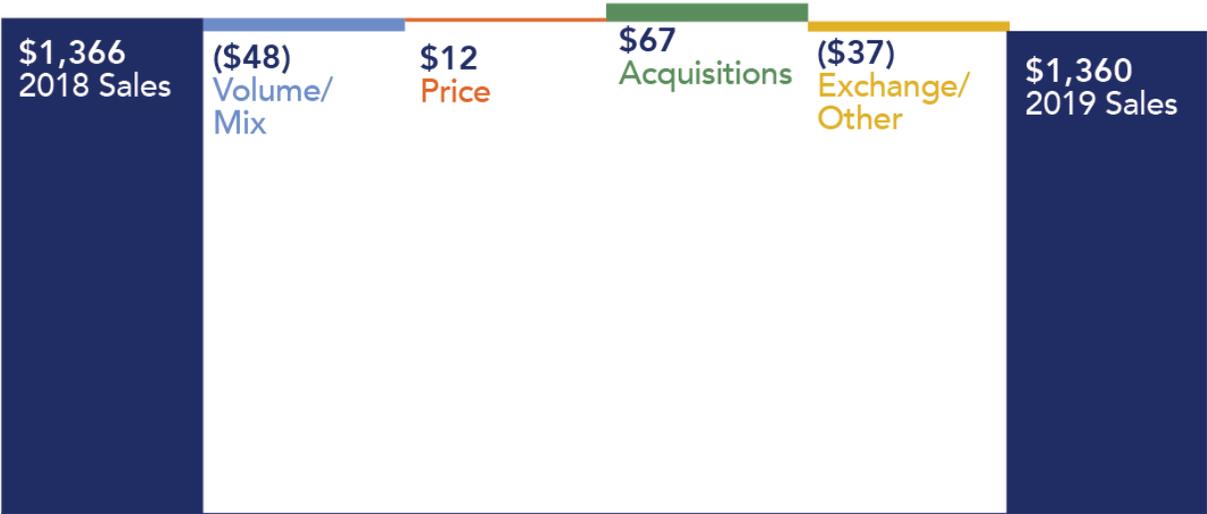
2nd Quarter: 2019 Vs. 2018 (Dollars in thousands)

	2019	2018	Better / (Worse)	
			\$	%
Net sales	\$ 1,359,721	\$ 1,366,373	\$ (6,652)	(0.5)%
Cost of sales	(1,084,385)	(1,089,913)	5,528	0.5%
Gross profit	275,336	276,460	(1,124)	(0.4)%
Selling, general and administrative expenses	(131,001)	(138,192)	7,191	5.2%
Operating profit	144,335	138,268	6,067	4.4%
Net interest	(15,952)	(15,127)	(825)	(5.5)%
Income before income taxes	128,383	123,141	5,242	4.3%
Provision for income taxes	(33,228)	(32,965)	(263)	(0.8)%
Income before equity in earnings of affiliates	95,155	90,176	4,979	5.5%
Equity in earnings of affiliates, net of tax	1,511	3,716	(2,205)	(59.3)%
Net income	96,666	93,892	2,774	3.0%
Noncontrolling interests	(196)	(248)	52	21.0%
Net income attributable to Sonoco	\$ 96,470	\$ 93,644	\$ 2,826	3.0%
EPS diluted	\$ 0.95	\$ 0.93	\$ 0.02	2.2%
Gross profit %	20.2%	20.2%		
SG&A %	9.6%	10.1%		
Operating profit %	10.6%	10.1%		
Operating profit before D&A%	13.7%	12.5%		
Effective tax rate	25.9%	26.8%		

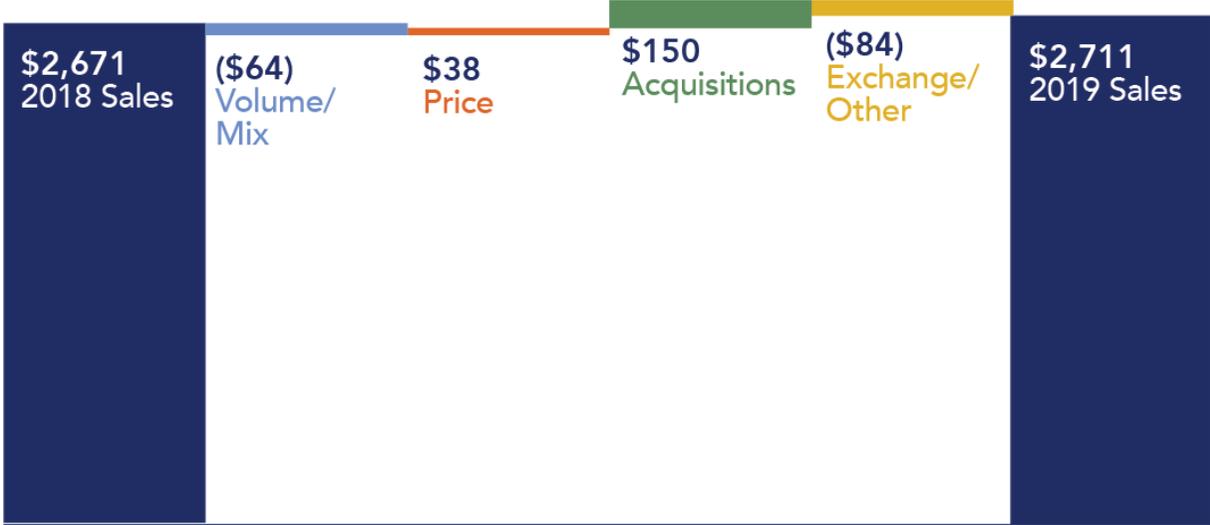


# Sales Bridges

**Sales Bridge**  
**2nd Quarter: 2019 Vs. 2018**  
 (Dollars in millions)

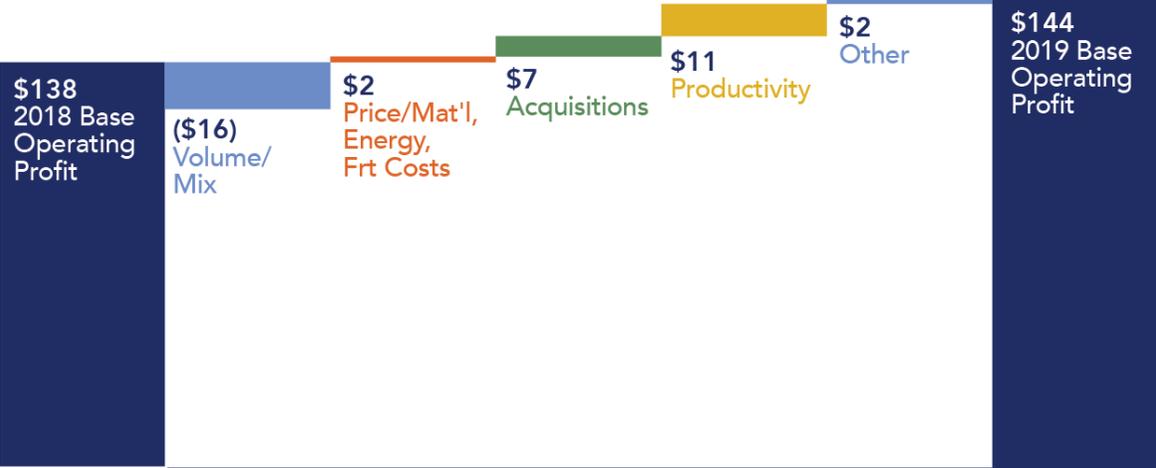


**Sales Bridge**  
**YTD: 2019 Vs. 2018**  
 (Dollars in millions)

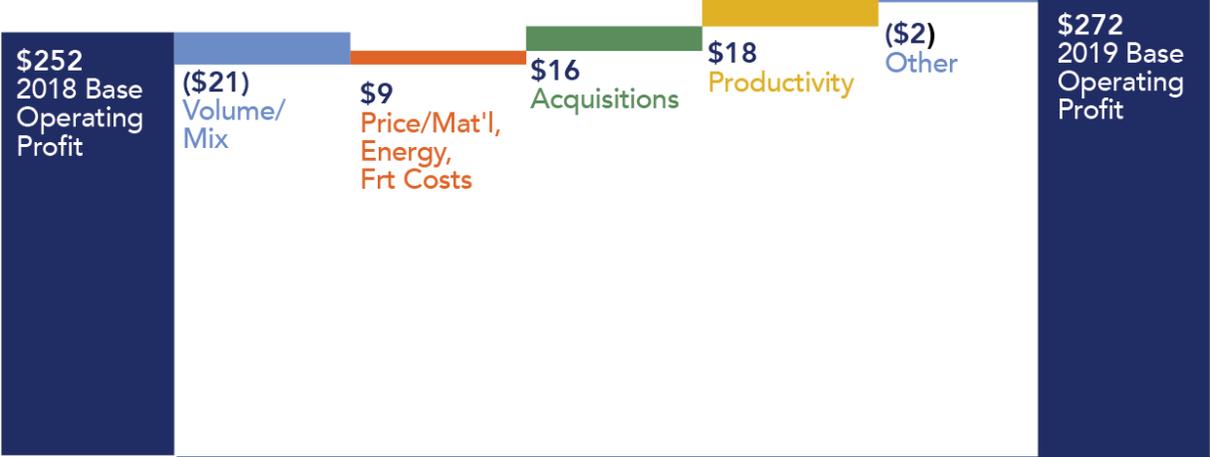


# Base Operating Profit Bridge

**Base Operating Profit Bridge**  
**2nd Quarter: 2019 Vs. 2018**  
 (Dollars in thousands)



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



# Segment Analysis

2nd Quarter: 2019 Vs. 2018 (Dollars in thousands)

	NET SALES			BASE OPERATING PROFIT		
	2019	2018	% Chg	2019	2018	% Chg
Consumer Packaging	\$ 602,750	\$ 616,062	(2.2)%	\$ 62,942	\$ 63,670	(1.1)%
Display & Packaging	134,833	143,260	(5.9)%	5,889	(570)	100%
Paper & Ind Conv Prods	491,328	474,137	3.6%	61,229	61,542	(0.5)%
Protective Solutions	130,810	132,914	(1.6)%	14,275	13,626	4.8%
	<u>\$ 1,359,721</u>	<u>\$ 1,366,373</u>	<u>(0.5)%</u>	<u>\$ 144,335</u>	<u>\$ 138,268</u>	<u>4.4%</u>

	OPERATING PROFIT AS % OF SALES		MARGIN CHANGE
Consumer Packaging	10.4%	10.3%	0.1%
Display & Packaging	4.4%	(0.4)%	4.8%
Paper & Ind Conv Prods	12.5%	13.0%	(0.5)%
Protective Solutions	10.9%	10.3%	0.7%
	<u>10.6%</u>	<u>10.1%</u>	<u>0.5%</u>



# Earnings Guidance

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
<b>2018 Base EPS</b>	<b>\$0.74</b>	<b>\$0.93</b>	<b>\$0.86</b>	<b>\$0.84</b>	<b>\$3.37</b>
<b>2019 Base EPS</b>	<b>\$0.85</b>	<b>\$0.95</b>			
<b>2019 Guidance</b>	<b>\$0.77 - \$0.83</b>	<b>\$0.93 - \$0.99</b>	<b>\$0.88 - \$0.94</b>		<b>\$3.52 - \$3.62</b>



# Cash Flow

Year to date: 2019 Vs. 2018 (Dollars in thousands)

	Year To Date	
	Q2 2019	Q2 2018
<b>Net income</b>	\$ 155,054	\$ 164,570
Asset impairment charges / Losses on disposition of assets	11,227	(700)
Depreciation, depletion and amortization	116,978	120,402
Net pension and postretirement plan expenses	(199,932)	(6,738)
Changes in working capital	(65,858)	(45,057)
Changes in tax accounts	10,963	2,895
Other operating activity	11,649	15,876
<b>Operating cash flow</b>	<b>\$ 40,081</b>	<b>\$ 251,248</b>
Capital expenditures, net of dispositions	(100,774)	(82,688)
Cash dividends	(84,160)	(79,801)
<b>Free cash flow</b>	<b>\$ (144,853)</b>	<b>\$ 88,759</b>
<b>Cost of acquisitions, net of cash acquired</b>	<b>\$ (455)</b>	<b>\$ (141,305)</b>
<b>Net debt proceeds / (Repayments)</b>	<b>\$ 144,369</b>	<b>\$ 10,708</b>



# Balance Sheet (Dollars in thousands)

	<u>7/1/2019</u>	<u>12/31/2018</u>	<u>Change \$</u>
Cash and cash equivalents	\$ 96,295	\$ 120,389	\$ (24,094)
Trade accounts receivable, net of allowances	784,907	737,420	47,487
Other receivables	100,384	111,915	(11,531)
Inventories	512,249	493,764	18,485
Prepaid expenses and deferred income taxes	85,185	55,784	29,401
<b>Current Assets</b>	<b>\$ 1,579,020</b>	<b>\$ 1,519,272</b>	<b>\$ 59,748</b>
Property, plant and equipment, net	1,233,615	1,233,821	(206)
Right of use asset-operating leases	308,166	—	304,655
Goodwill	1,310,638	1,309,167	1,471
Other intangible assets, net	328,617	352,037	(23,420)
Other assets	189,019	169,168	19,851
<b>Total Assets</b>	<b>\$ 4,945,564</b>	<b>\$ 4,583,465</b>	<b>\$ 362,099</b>
Payable to suppliers and others	903,040	878,969	24,071
Income taxes payable	14,626	8,516	6,110
<b>Total debt</b>	<b>1,545,248</b>	<b>1,385,162</b>	<b>160,086</b>
Noncurrent operating lease liabilities	262,663	—	262,663
Pension and other postretirement benefits	178,075	374,419	(196,344)
Deferred income taxes and other	192,406	164,121	28,285
<b>Total equity</b>	<b>1,853,620</b>	<b>1,772,278</b>	<b>81,342</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 4,945,564</b>	<b>\$ 4,583,465</b>	<b>\$ 362,099</b>
Net debt / Total capital	43.9%	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)

			Better / (Worse)	
	2019	2018	\$	%
Net sales	\$ 2,711,426	\$ 2,670,560	\$ 40,866	1.5%
Cost of sales	(2,165,969)	(2,143,498)	(22,471)	(1.0)%
Gross profit	545,457	527,062	18,395	3.5%
Selling, general and administrative expenses	(273,162)	(275,513)	2,351	0.9%
Operating Profit	272,295	251,549	20,746	8.2%
Net interest	(31,337)	(28,482)	(2,855)	(10.0)%
Income before income taxes	240,958	223,067	17,891	8.0%
Provision for income taxes	(60,375)	(58,845)	(1,530)	(2.6)%
Income before equity in earnings of affiliates	180,583	164,222	16,361	10.0%
Equity in earnings of affiliates, net of tax	2,441	4,963	(2,522)	(50.8)%
Net income	183,024	169,185	13,839	8.2%
Noncontrolling interests	(301)	(1,123)	822	73.2%
Net income attributable to Sonoco	\$ 182,659	\$ 168,062	\$ 14,597	8.7%
EPS diluted	\$ 1.81	\$ 1.66	\$ 0.14	8.5%
Gross Profit %	20.1%	19.7%		
SG&A %	10.1%	10.3%		
Operating Profit %	10.0%	9.4%		
Operating Profit Before D&A %	14.3%	13.8%		
Effective tax rate	25.1%	26.4%		



# Segment Analysis

Year to date: 2019 Vs. 2018 (Dollars in thousands)

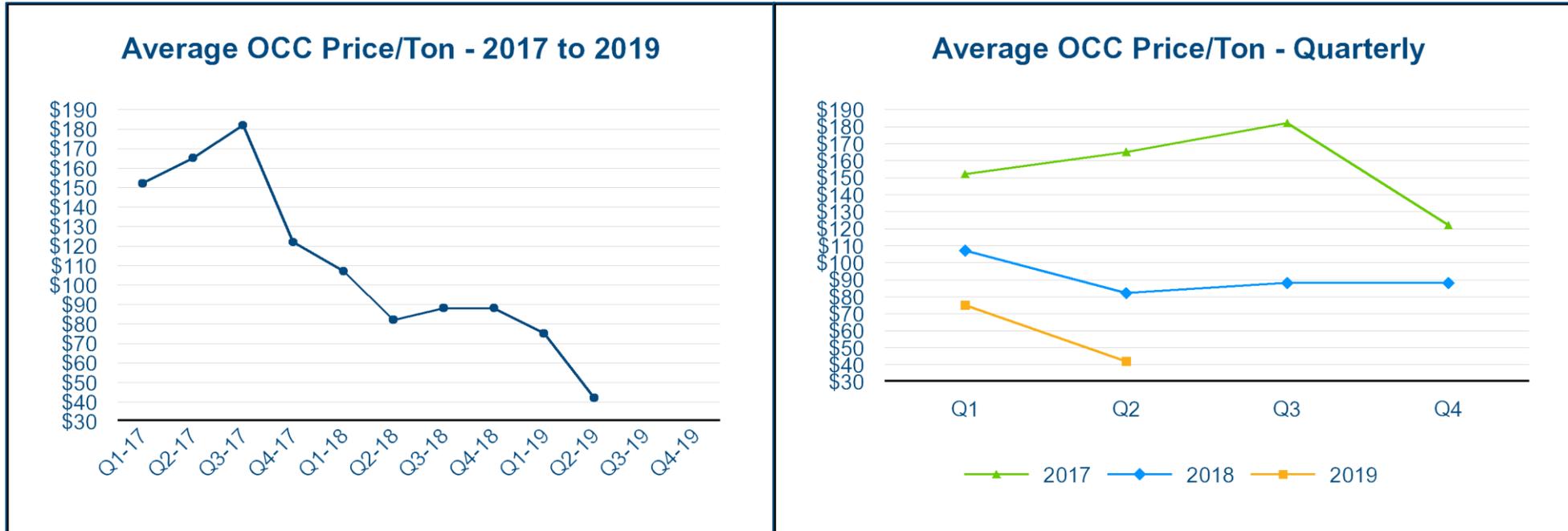
	NET SALES			SEGMENT OPERATING PROFIT		
	2019	2018	% Chg	2019	2018	% Chg
Consumer Packaging	\$ 1,192,466	\$ 1,185,914	0.6%	\$ 125,057	\$ 124,758	0.2%
Display & Packaging	272,387	285,918	(4.7)%	12,343	1,162	100.0%
Paper & Ind Conv Prods	987,365	934,790	5.6%	109,616	101,323	8.2%
Protective Solutions	259,208	263,938	(1.8)%	25,279	24,306	4.0%
	<u>\$ 2,711,426</u>	<u>\$ 2,670,560</u>	<u>1.5%</u>	<u>\$ 272,295</u>	<u>\$ 251,549</u>	<u>8.2%</u>

	SEGMENT OPERATING PROFIT AS % OF SALES		MARGIN CHANGE
Consumer Packaging	10.5%	10.5%	—%
Display & Packaging	4.5%	0.4%	4.1%
Paper & Ind Conv Prods	11.1%	10.8%	0.3%
Protective Solutions	9.8%	9.2%	0.5%
	<u>10.0%</u>	<u>9.4%</u>	<u>0.6%</u>



# OCC: Official Board Market

2nd 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								