



# *Sonoco Update*



R.W. Baird Global Industrial Conference  
November 2020

Defining  
Our  
Next  
**Decade**



# *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 Q3 2020 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.



## *Rodger Fuller*

Executive Vice President

Rodger Fuller, 59, is Executive Vice President of Sonoco, overseeing all Industrial and Consumer operations globally, which also includes the Company's Display and Packaging and Protective Solutions segments. In this role, Fuller has responsibility for all of Sonoco's global operations serving customers across 36 countries as well as the Company's Supply Management and Logistics organization. He previously served as Senior Vice President, Global Consumer Packaging, Display & Packaging and Protective Solutions. In this role, he had responsibility for all of Sonoco's Consumer-related businesses, including Global Rigid Paper and Closures; Global Plastics; Global Flexible Packaging; Display & Packaging; and Protective Solutions.

Fuller also served as Senior Vice President, Paper/Engineered Carriers U.S./Canada and Display & Packaging. In this role, he had responsibility for the Company's Paper and Engineered Carriers businesses, including 12 uncoated recycled paper mills, 24 recovered paper recycling facilities, 40 tube and core converting facilities and 16 wire and cable reels centers, serving customers throughout the U.S. and Canada. He also led the Company's Display and Packaging business, which operates 25 manufacturing and packaging facilities in the United States, Mexico, Poland and Brazil.

Previously, Fuller was Group Vice President at Sonoco. He has held leadership positions in both Consumer and Industrial businesses during his 34-year career with Sonoco.

Fuller graduated from Berry College in Rome, Georgia, with a B.S. in business administration, and he received an MBA from Emory University. He is active in industry and community service organizations, including serving on the board of the Paper and Packaging Board, American Forest and Paper Association and the Hartsville United Way.

He and his wife, Helen, have two grown children and reside in Hartsville.





# *Sonoco is a Global Essential Service Provider*

- 80% of Sonoco's Consumer Packaging is for food
- Paper/Tubes and Cores provide carriers for essential goods
  - Tissue/Towel paperboard
  - Tubes/Cores paperboard: plastic film for food (products), drugs and medical equipment
- Medical Packaging
- Sonoco ThermoSafe temperature-assured packaging





# Third Quarter 2020

## Key Financial Results

<i>In millions (\$), except EPS</i>	Q3-20	Q3-19	Vs PY	Comments
Net Sales	\$1,312	\$1,354	✓	<ul style="list-style-type: none"><li>Volume / Mix (\$54mm) or (4.0%) vs Q3-19</li><li>Positive impact: Acquisitions \$30mm</li></ul>
Gross Profit	\$257 19.6%	\$265 19.6%	✓	<ul style="list-style-type: none"><li>Maintained 19.6% Gross Profit as % of Sales</li></ul>
SG&A Expense (Base), Net of Other Income	(\$126) 9.6%	(\$126) 9.3%	✓	<ul style="list-style-type: none"><li>Good cost controls</li><li>Spent ~\$3.5mm on COVID-19 PPE, cleaning, etc</li></ul>
Operating Profit (Base)	\$131 9.9%	\$139 10.3%	✓	
EPS (Base)	\$0.86	\$0.97	✓	<ul style="list-style-type: none"><li>Exceeded high end of guidance</li><li>Solid operational results vs expectations</li></ul>
Free Cash Flow (YTD)	\$252	\$(32)	✓	<ul style="list-style-type: none"><li>Solid Working Capital management</li><li>Disciplined Cap Ex spend</li><li>\$200mm US pension contribution in 2019</li></ul>



# Sonoco Segment Review

## Consumer Packaging



(\$ Millions)	3Q 2020	3Q 2019
<b>Net Sales</b>	<b>\$584</b>	<b>\$581</b>
<b>Base Operating Profit</b>	<b>\$68</b>	<b>\$57</b>

(\$ Millions)	YTD	YTD
<b>Net Sales</b>	<b>\$1,787</b>	<b>\$1,774</b>
<b>Base Operating Profit</b>	<b>\$222</b>	<b>\$182</b>

## Paper & Industrial Converted Products



(\$ Millions)	3Q 2020	3Q 2019
<b>Net Sales</b>	<b>\$459</b>	<b>\$496</b>
<b>Base Operating Profit</b>	<b>\$34</b>	<b>\$59</b>

(\$ Millions)	YTD	YTD
<b>Net Sales</b>	<b>\$1,369</b>	<b>\$1,483</b>
<b>Base Operating Profit</b>	<b>\$118</b>	<b>\$169</b>





# *Sonoco Acquires Can Packaging*

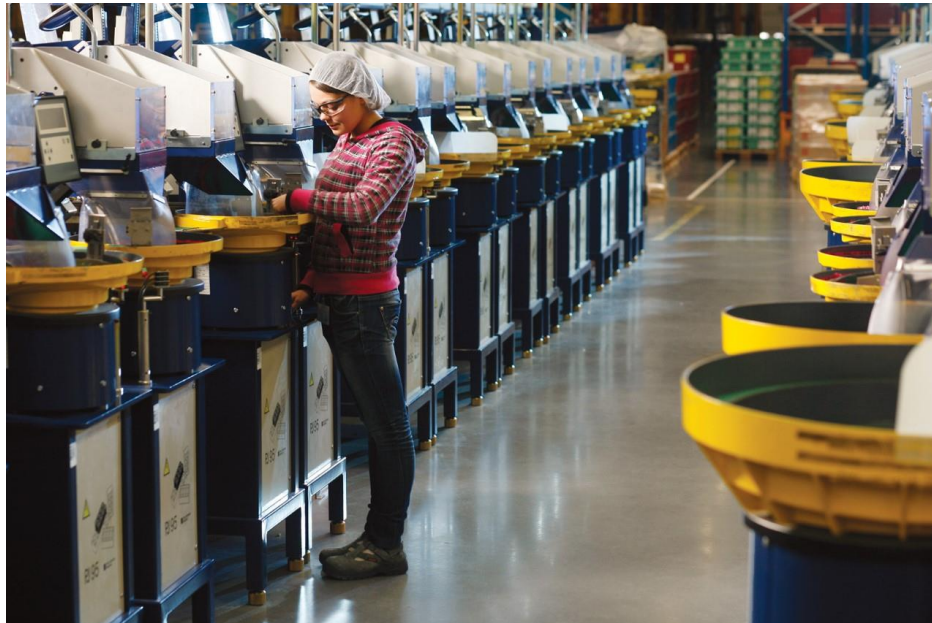
- Adds advanced innovation and production of sustainable paper packaging in Europe
- 2020 sales of approximately \$27 million
- Two production facilities and R&D center in France
- Featured Product: Greencan® recyclable paperboard package (92% to 98% paperboard)
- Proprietary manufacturing equipment, suitable for global growth markets





# *Sonoco Divests Europe Contract Packaging Business*

- Agreement signed with Prairie Industries Holdings (backed by The Halifax Group) to sell D&P Europe for \$120 million
- Business had net sales of \$300 million in 2019 and 2,600 associates (excluding temps)
- Divestiture aligns with the Company's effort to focus on its Core Consumer- and Industrial-related businesses
- Divestiture of the business impacts EPS by about 1-cent per month
- Raises Company proforma OPBDA margin by approximately 40 bps







# Sonoco Segment Review

## Display & Packaging



(\$ Millions)	3Q 2020	3Q 2019
<b>Net Sales</b>	<b>\$138</b>	<b>\$145</b>
<b>Base Operating Profit</b>	<b>\$11</b>	<b>\$9</b>
(\$ Millions)	YTD	YTD
<b>Net Sales</b>	<b>\$366</b>	<b>\$417</b>
<b>Base Operating Profit</b>	<b>\$25</b>	<b>\$21</b>

## Protective Solutions



(\$ Millions)	3Q 2020	3Q 2019
<b>Net Sales</b>	<b>\$132</b>	<b>\$132</b>
<b>Base Operating Profit</b>	<b>\$18</b>	<b>\$14</b>
(\$ Millions)	YTD	YTD
<b>Net Sales</b>	<b>\$339</b>	<b>\$391</b>
<b>Base Operating Profit</b>	<b>\$36</b>	<b>\$39</b>



# *Project Horizon Update*

## *Project Costs and Savings Summary*

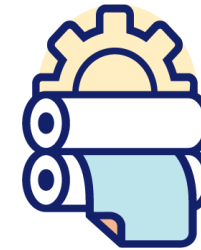
### **Capital for Material Handling Optimization – \$30 million**

#### Raw Material Handling Optimization

- Completed by June 2021

#### Material Handling and Finished Goods Warehouse

- Material Handling completed by October 2021
- Finished Goods Warehouse completed by June 2022



**Project Horizon**

Creating A Brighter Future For Our URB System

### **Projected Savings – \$5 million**

- Logistics and handling savings
- Outside warehouses/structural maintenance savings

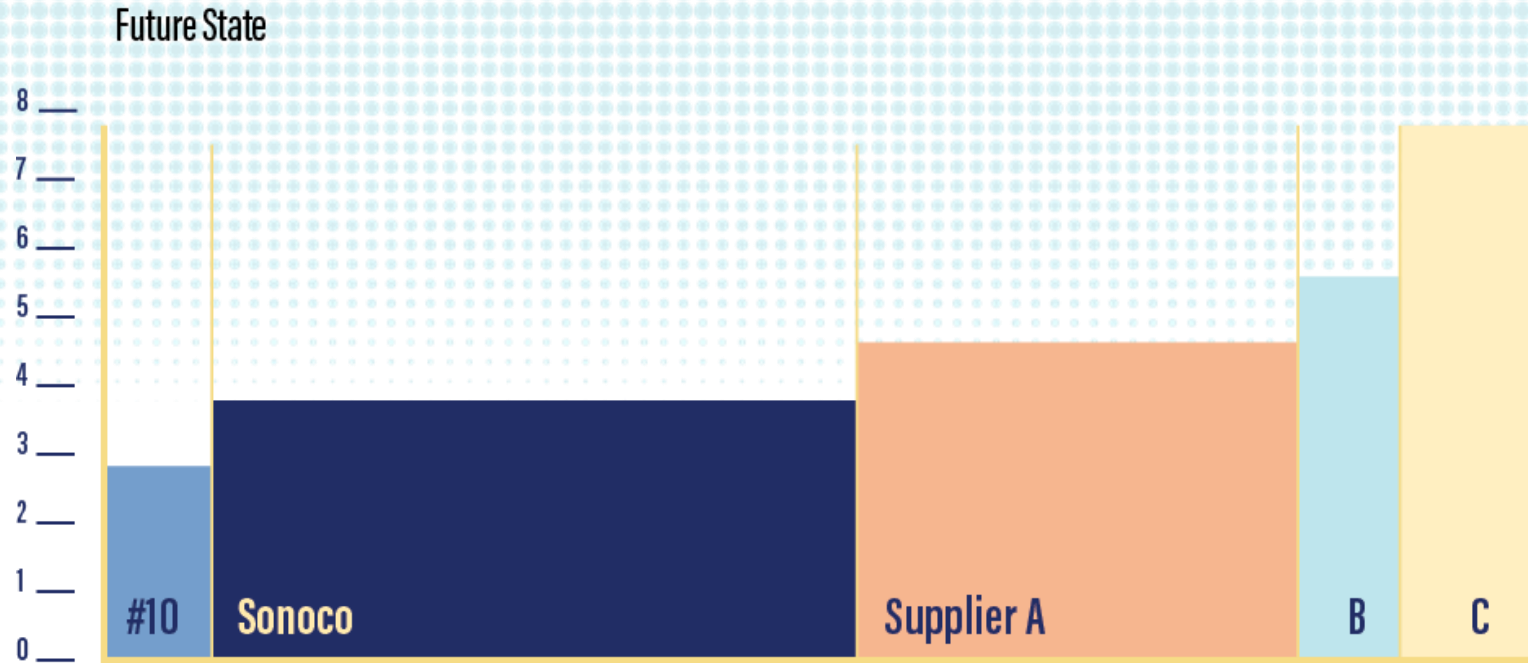
**Total Project Horizon Capital Costs – \$114 million**

**Total Savings – \$29 million, 15% IRR, 7.1 years payback**



# Lowest Cost URB System

## Cost Viability Curve - URB North America



**Sonoco's URB costs expected to be 18% lower than nearest supplier**



**Project Horizon**  
Creating A Brighter Future For Our URB System





# ThermoSafe Value Proposition – COVID-19 Vaccine

- Extensive experience with high volume vaccine distribution
- Scalability – leverage multiple sites and global footprint
- Planning and ability to add capacity
- Solutions for temp ranges from -80C to 2-8C
- Broad portfolio of products that are already tested and available
- Technical capability to meet custom technical needs
- Existing long-term relationships with 5 of the 6 leading manufacturers

## Leading Vaccine Candidates & Temp Ranges

Pfizer

Johnson & Johnson

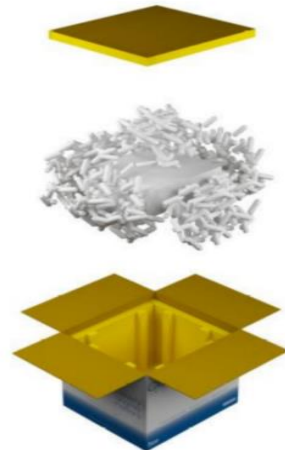
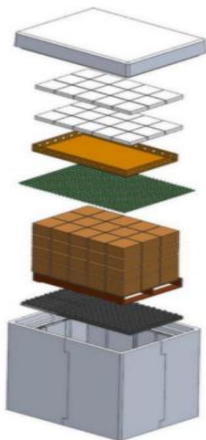
Moderna

Merck

Astra Zeneca

Sanofi/GSK

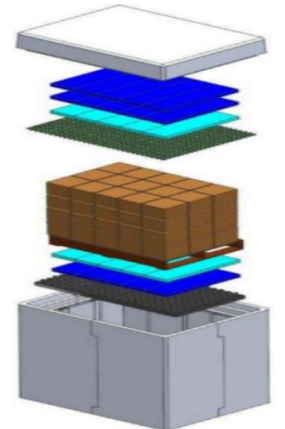
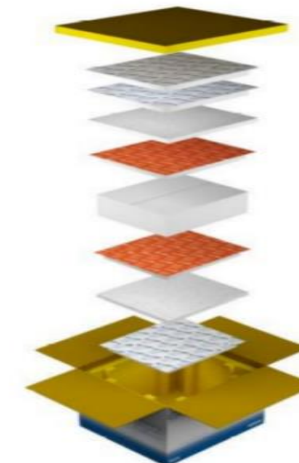
Frozen Solutions utilizing dry ice and standard shippers qualified to industry requirements (Certis and QPMC products pictured here)



## Volume dependencies and notes:

- Vaccine effectiveness
- Perceived safety of vaccines
  - COVID status
- Temp shipping ranges
- Annual global flu vaccine volume is approximately 300MM doses
- Anticipating broad distribution in late Q2 2021

Same solutions can be modified to hold non-frozen temperatures as required, i.e. 2-8C





# *EPS and Cash Flow Guidance*

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
<b>2019 Base EPS</b>	<b>\$0.85</b>	<b>\$0.95</b>	<b>\$0.97</b>	<b>\$0.75</b>	<b>\$3.53</b>
<b>2020 Base EPS</b>	<b>\$0.94</b>	<b>\$0.79</b>	<b>\$0.86</b>		
<b>2020 Guidance</b>	<b>\$0.83 - \$0.89</b>	<b>\$0.73 - \$0.83</b>	<b>\$0.73 - \$0.83</b>	<b>\$0.70 - \$0.80</b>	<b>\$3.29 - \$3.39</b>

<b>Full Year Cash Flow Guidance</b>	<b><u>December 31, 2020</u></b>	
	<b>Est. Low End</b>	<b>Est. High End</b>
<b>Operating cash flow</b>	<b>\$ 643</b>	<b>\$ 663</b>
<b>Free cash flow</b>	<b>\$ 290</b>	<b>\$ 310</b>



# *Key Drivers to Q4 Earnings Guidance*

*Q4-2020 vs Q4-2019*

## COVID-19 Impact

- Demand for our products – Mixed impact (+/-)
- Mitigating actions – Ongoing cost reductions

## Price / Cost Impact

- Industrial segment – Negative due to lower market pricing and higher OCC costs

## Other Impacts

- Interest expense – Higher due to increased borrowings (liquidity actions)
- Tax rate – Higher due to various positive items in Q4-19
- Addition of TEQ and Can Packaging acquisitions
- Includes D&P Europe for remainder of 2020



# Q4 Outlook: State of Our Platforms



## • Food Packaging

- All Platforms (Rigid Paper, Rigid Plastics & Flexibles) Positive but stabilizing as at-home eating trend continues

## • ThermoSafe

- Flu Vaccine shipments

## • Portion control plastics

## • Protective/ Consumer Fiber

- Strong appliance recovery



## • Paper

- Strong backlog in North America

## • Tissue & towel

## • Automotive Molded Foam

## • Reels

## • Medical Device Packaging

- Elective surgeries recovering



## • Industrial: Tubes & Cores / Cones

- Gradually improving globally

## • Industrial Plastics

## • Promotional Displays

## • Retail Security

## • Confection



# *Cash Flow Outlook – FY 2020*

- Solid Free Cash Flow generation expected to continue
  - Assumes stable earnings and working capital trends
- Expect ~ \$35 million cash benefit in 2020 due to global government assistance programs (mostly US)
- Full-year 2020 Cap Ex spend estimated at ~ \$180 million
  - \$160 million “normal” operations plus \$20 million Project Horizon
- Pension termination contribution (~ \$150 million) deferred into 2021
  - Cash tax benefit of ~ \$37 million in 2020
- No dividend increase in 2020



# *Liquidity: Q3 Update and Outlook*

ST Investments	\$ 578,000
Additional consolidated cash	\$ 205,000
<b>Total Cash (Q3 2020)</b>	<b>\$ 783,000</b>

Total Revolver	\$ 500,000
Less: Borrowing	\$ -
<b>Revolver Availability</b>	<b>\$ 500,000</b>

<b>Total ST Liquidity (Q3 2020)</b>	<b>\$1,283,000</b>
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## Liquidity Outlook

- Repaying \$300 million of bank term loans in October (use excess cash)
- Potential debt repayment after receipt of D&P Europe divestiture proceeds

**Liquidity Position Remains Very Strong**





# *Supplemental Financial Slides*

Defining  
Our  
Next  
Decade





# P&L Summary (Base)

3rd Quarter: 2020 Vs. Plan Vs. 2019

(Dollars in millions)

	2020	2019	Better / (Worse)	
			\$	%
Net sales	\$ 1,312	\$ 1,354	\$ (42)	(3.1)%
Gross profit	257	265	(8)	(3.2)%
SG&A Expenses, Net of Other Income	(126)	(126)	—	— %
Operating profit	\$ 131	\$ 139	\$ (8)	(6.1)%
Net interest	(19)	(15)	(4)	(25.9)%
Provision for income taxes	\$ (27)	\$ (28)	\$ 1	2.6 %
Net Income, after tax	\$ 85	\$ 97	\$ (12)	(12.0)%
Equity in Affiliates and Minority Interest	2	2	—	7.8 %
Net income attributable to Sonoco	\$ 87	\$ 98	\$ (11)	(11.3)%
Operating profit before D&A	\$ 194	\$ 199	\$ (5)	(2.4)%
Gross profit %	19.6 %	19.6 %		
SG&A %	9.6 %	9.3 %		
Operating profit %	9.9 %	10.3 %		
Operating profit before D&A%	14.8 %	14.7 %		
Effective tax rate	24.1 %	22.3 %		

NOTE: Totals and Percentages are based on unrounded amounts



# Cash Flow

*3<sup>rd</sup> Quarter Year to date: 2020 Vs. 2019*  
*(Dollars in millions)*

	Year To Date		Year Over Year
	Q3 2020	Q3 2019	Change
<b>Net income</b>	\$ 219	\$ 247	\$ (29)
Asset impairment charges and (gain)/loss on disposition of assets	22	10	12
Depreciation and amortization expenses	187	173	14
Pension and postretirement plan contributions, net of expenses	8	(204)	212
Changes in working capital	(16)	(41)	26
Other operating activity	70	53	17
<b>Operating cash flow</b>	\$ 490	\$ 239	\$ 251
Capital expenditures net of dispositions	(108)	(144)	36
Cash dividends	(129)	(127)	(2)
<b>Free cash flow</b>	\$ 252	\$ (32)	\$ 284

NOTE: Totals and differences are calculated using unrounded amounts.





# Balance Sheet

(Dollars in millions)

	9/27/2020	6/28/2020	Change \$
Cash and cash equivalents	\$ 783	\$ 857	\$ (74)
Trade accounts receivable, net of allowances	694	693	1
Other receivables	93	104	(11)
Inventories	446	524	(78)
Prepaid expenses	67	60	7
Assets held for sale	202	—	202
<b>Current Assets</b>	<b>\$ 2,283</b>	<b>\$ 2,239</b>	<b>\$ 44</b>
Property, plant and equipment, net	1,227	1,236	(9)
Goodwill	1,369	1,424	(55)
Other intangible assets, net	374	361	13
Right of Use Asset - Operating leases	306	294	12
Other assets	207	186	21
<b>Total Assets</b>	<b>\$ 5,767</b>	<b>\$ 5,739</b>	<b>\$ 28</b>
Payable to suppliers and others	882	908	(26)
Income taxes payable	14	21	(7)
Liabilities held for sale	94	—	94
Total debt	2,136	2,265	(129)
Pension and other postretirement benefits	304	304	—
Noncurrent operating lease liabilities	269	249	20
Deferred income taxes and other	187	183	4
Total equity	1,881	1,808	73
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 5,767</b>	<b>\$ 5,739</b>	<b>\$ 28</b>
Net debt / Total capital	41.8 %	43.8 %	

Net debt = Total debt minus cash and cash equivalents

Total capital = Net debt plus total equity

NOTE: Totals and differences are calculated using unrounded amounts.



# P&L Summary (Base)

3<sup>rd</sup> Quarter Year to date: 2020 Vs. 2019

(Dollars in millions)

	2020	2019	Better / (Worse)	
			\$	%
Net sales	\$ 3,861	\$ 4,065	\$ (204)	(5.0) %
Gross profit	772	811	(39)	(4.9) %
SG&A Expenses, Net of Other Income	(371)	(400)	29	7.3 %
Operating Profit	\$ 401	\$ 411	\$ (10)	(2.5) %
Net interest	(53)	(46)	(7)	(15.7) %
Provision for income taxes	\$ (89)	\$ (88)	\$ (1)	(1.0) %
Net Income, after tax	\$ 259	\$ 277	\$ (18)	(6.7) %
Equity Affiliates and Minority Interest	3	4	(1)	(23.8) %
Net income attributable to Sonoco	\$ 262	\$ 281	\$ (18)	(6.5) %
Operating profit before D&A	\$ 588	\$ 588	\$ —	— %
Gross Profit %	20.0 %	19.9 %		
SG&A %	9.6 %	9.8 %		
Operating profit %	10.4 %	10.1 %		
Operating profit before D&A %	15.2 %	14.5 %		
Effective tax rate	25.6 %	24.1 %		



# Segment Analysis

3<sup>rd</sup> Quarter Year to date: 2020 Vs. 2019

(Dollars in millions)

	NET SALES			SEGMENT OPERATING PROFIT		
	2020	2019	% Chg	2020	2019	% Chg
Consumer Packaging	\$ 1,787	\$ 1,774	0.7 %	\$ 222	\$ 182	22.0 %
Display & Packaging	366	417	(12.3) %	25	21	16.9 %
Paper & Ind Conv Prods	1,369	1,483	(7.7) %	118	169	(30.0) %
Protective Solutions	339	391	(13.2) %	36	39	(8.3) %
	<u>\$ 3,861</u>	<u>\$ 4,065</u>	<u>(5.0) %</u>	<u>\$ 401</u>	<u>\$ 411</u>	<u>(2.5) %</u>

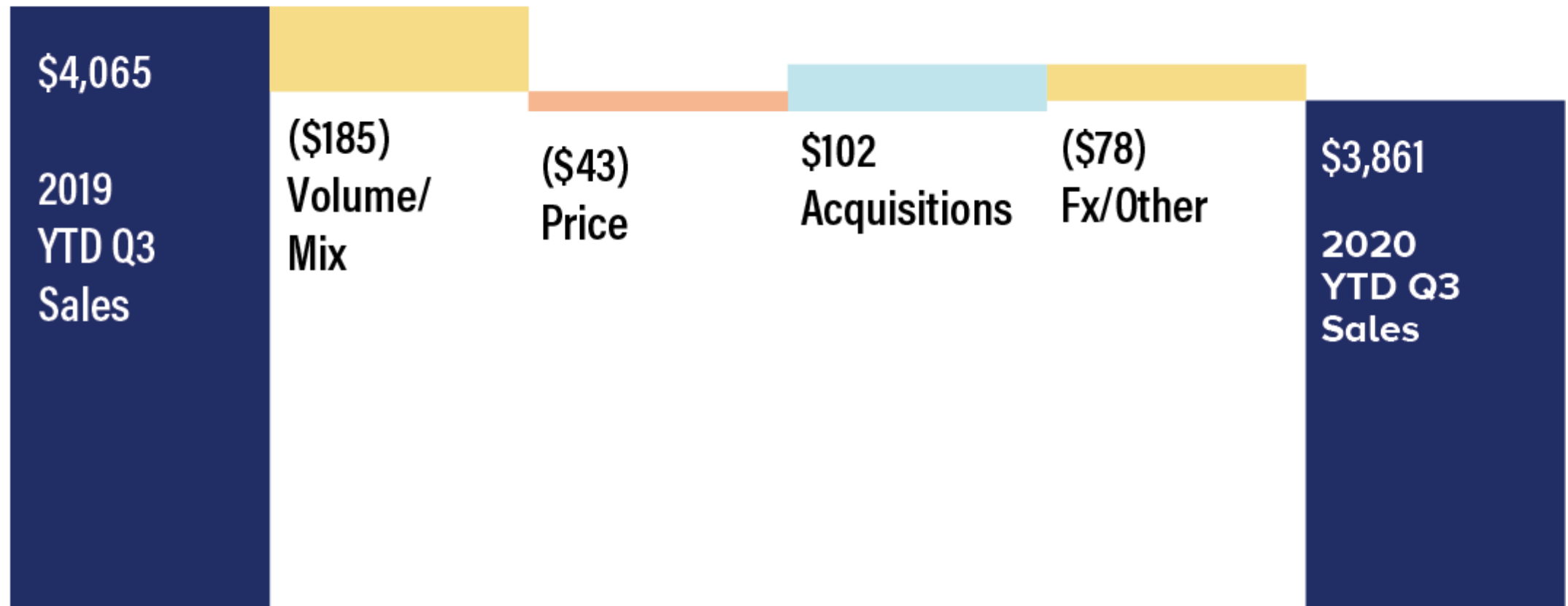
	SEGMENT OPERATING PROFIT AS % OF SALES		MARGIN CHANGE
Consumer Packaging	12.4 %	10.2 %	2.2 %
Display & Packaging	6.8 %	5.1 %	1.7 %
Paper & Ind Conv Prods	8.6 %	11.4 %	(2.8) %
Protective Solutions	10.6 %	10.0 %	0.6 %
	<u>10.4 %</u>	<u>10.1 %</u>	<u>0.3 %</u>



# Sales Bridge

*YTD: 2020 Vs. 2019*

*Dollars in millions*



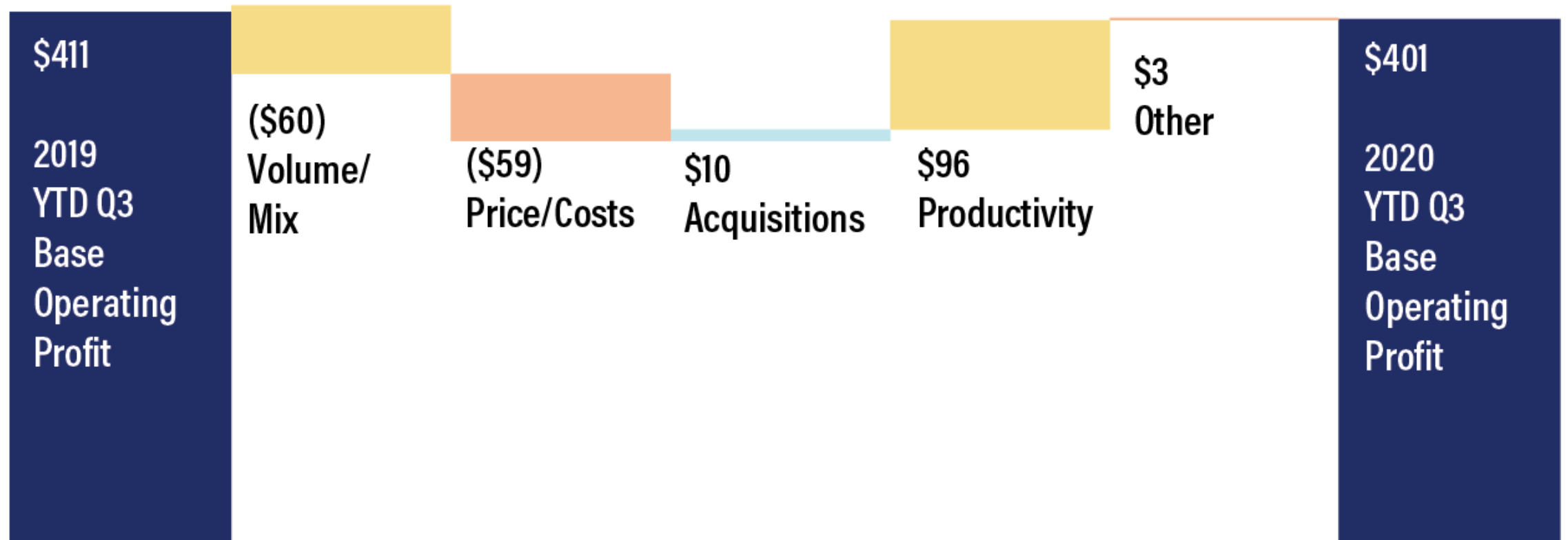




# Base Operating Profit Bridge

*YTD: 2020 Vs. 2019*

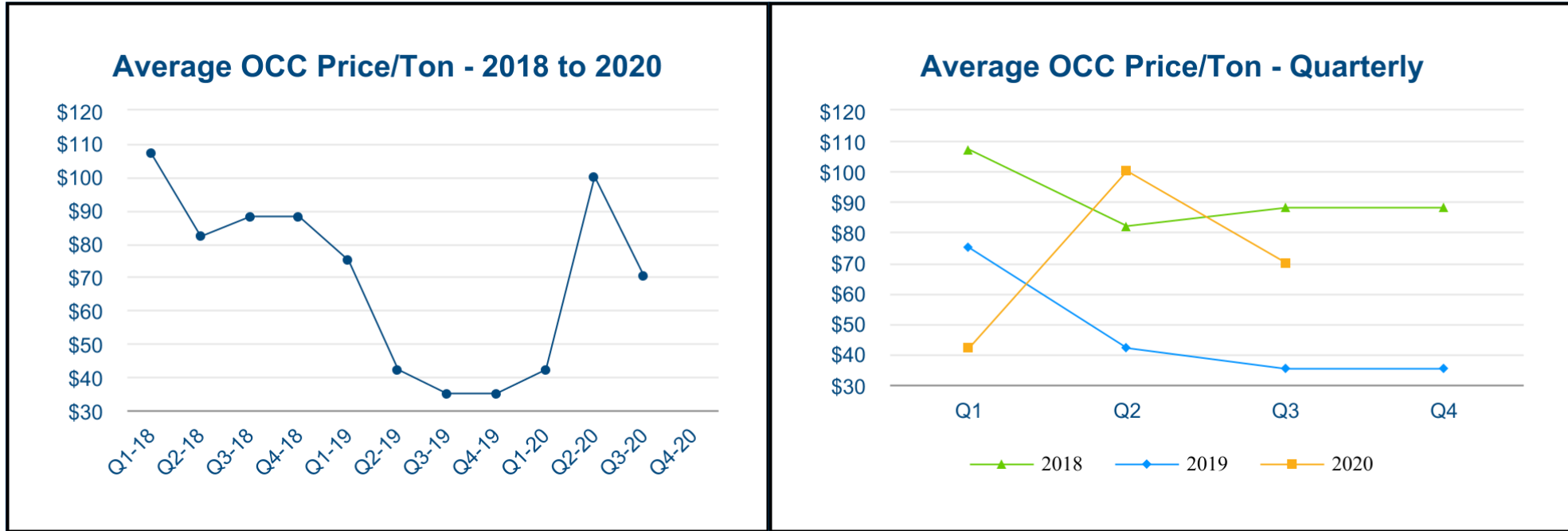
*Dollars in millions*





# OCC: Official Board Market

3rd Quarter: 2020 Vs. 2019 Vs. 2018  
(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
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	35	35	35	35
2020	35	40	50	42	85	125	90	100	70	70	70	70	70			