

Quarterly Financial Review

Sonoco Third Quarter 2022 Results

Investor Presentation | November 2022



Better
Than Ever.



Forward-Looking Statements / Non-GAAP Financial Measures

Today's presentation contains several 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 2022 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.

Today's Attendees



HOWARD COKER
President & CEO



ROB DILLARD
Chief Financial Officer



RODGER FULLER
Chief Operating Officer



LISA WEEKS
VP of IR & Communications

Q3-22 Executive Summary

FINANCIAL PERFORMANCE

\$1.9B

Revenue

\$284M

Base EBITDA

\$158M

Base Net Income

\$1.60

Base Earnings per Share

HIGHLIGHTS

- Strong quarterly results from strategic pricing and Metal Packaging performance
- Stable demand in consumer packaging; improving supply chain conditions
- Expanded base EBITDA margin to 15% from 13% in the third quarter of 2021
- Delivered base earnings per share of \$1.60, a 60% year-over-year increase
- Raised full-year base earnings per share guidance to \$6.40 - \$6.50
- Continued capital allocation for internal investments, inorganic portfolio improvement, and recurring dividends



Financial Results

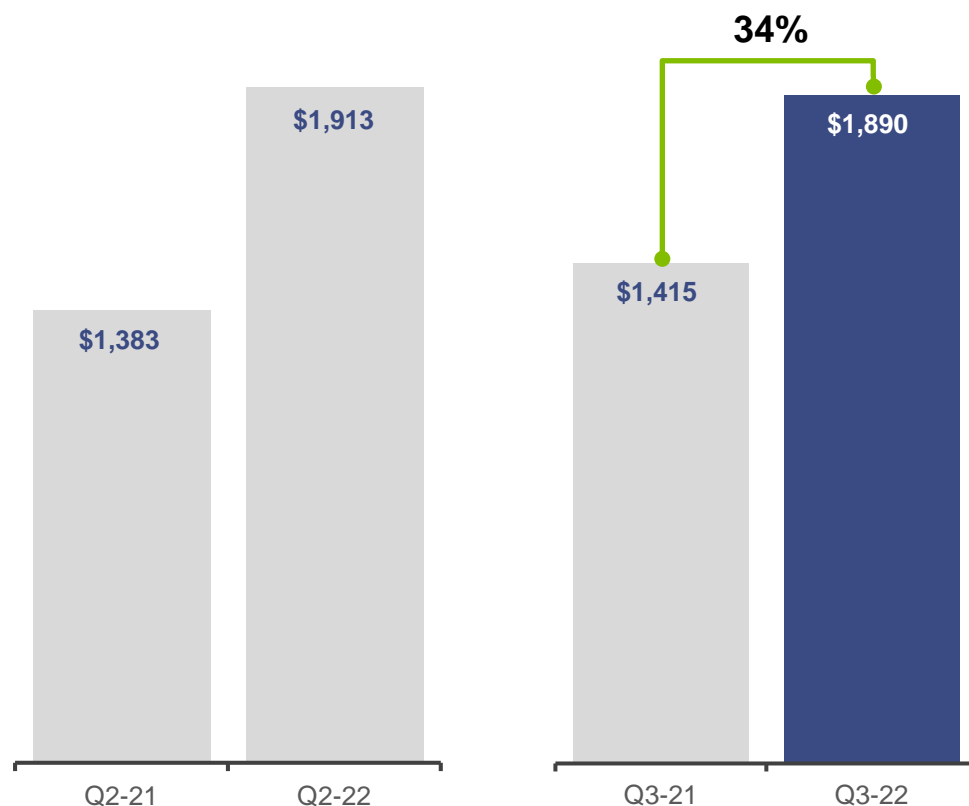
Rob Dillard

Chief Financial Officer

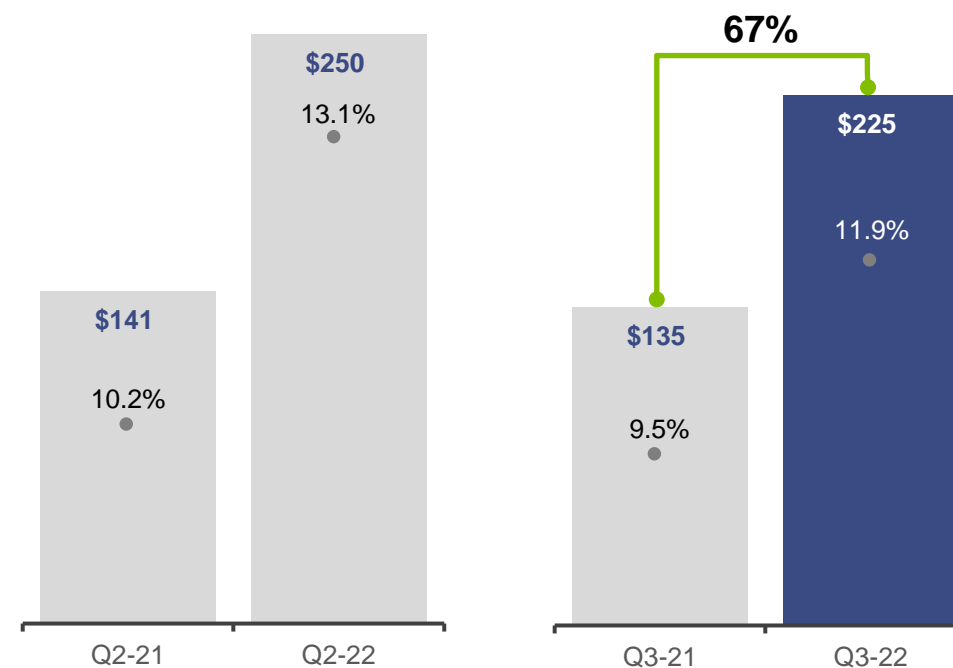


Q3-22 Key Financials

Net Sales (\$M)

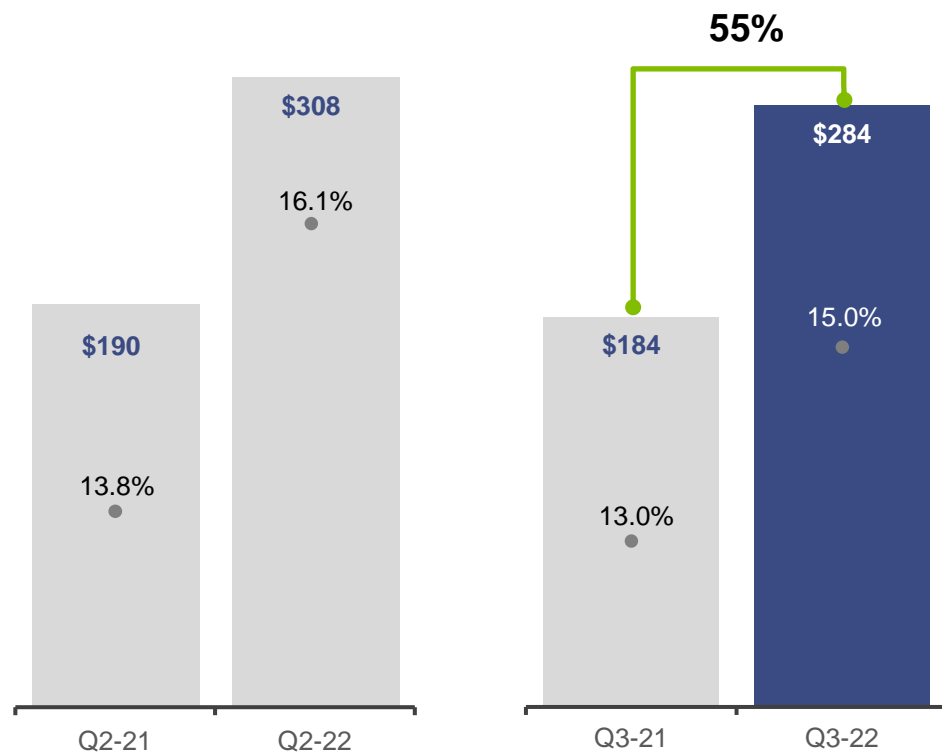


Base Operating Profit (\$M)

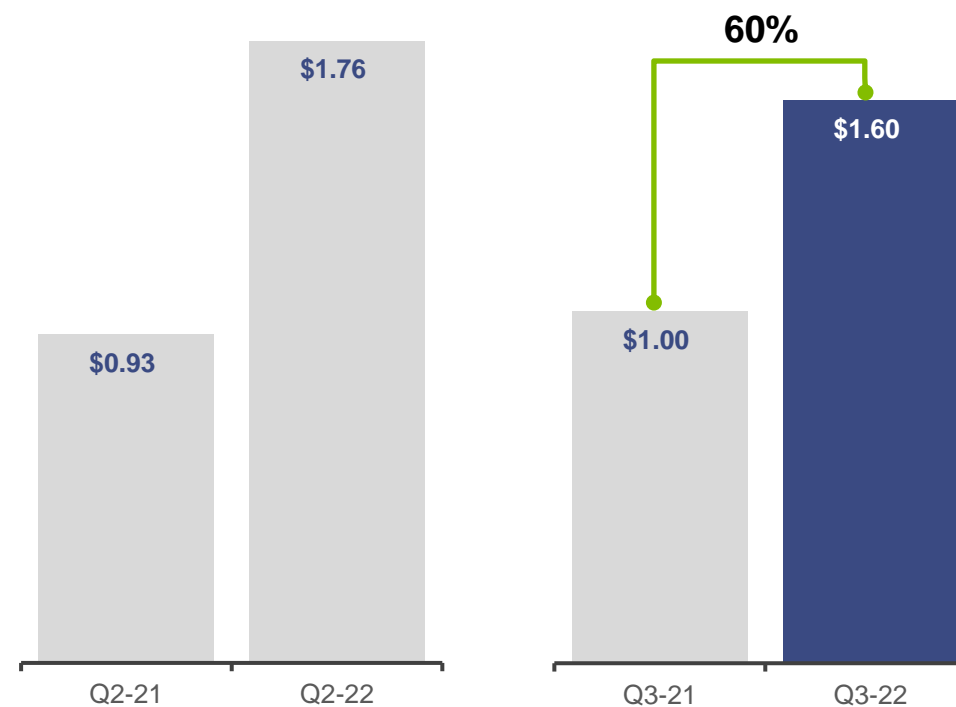


Q3-22 Key Financials

Base EBITDA (\$M)



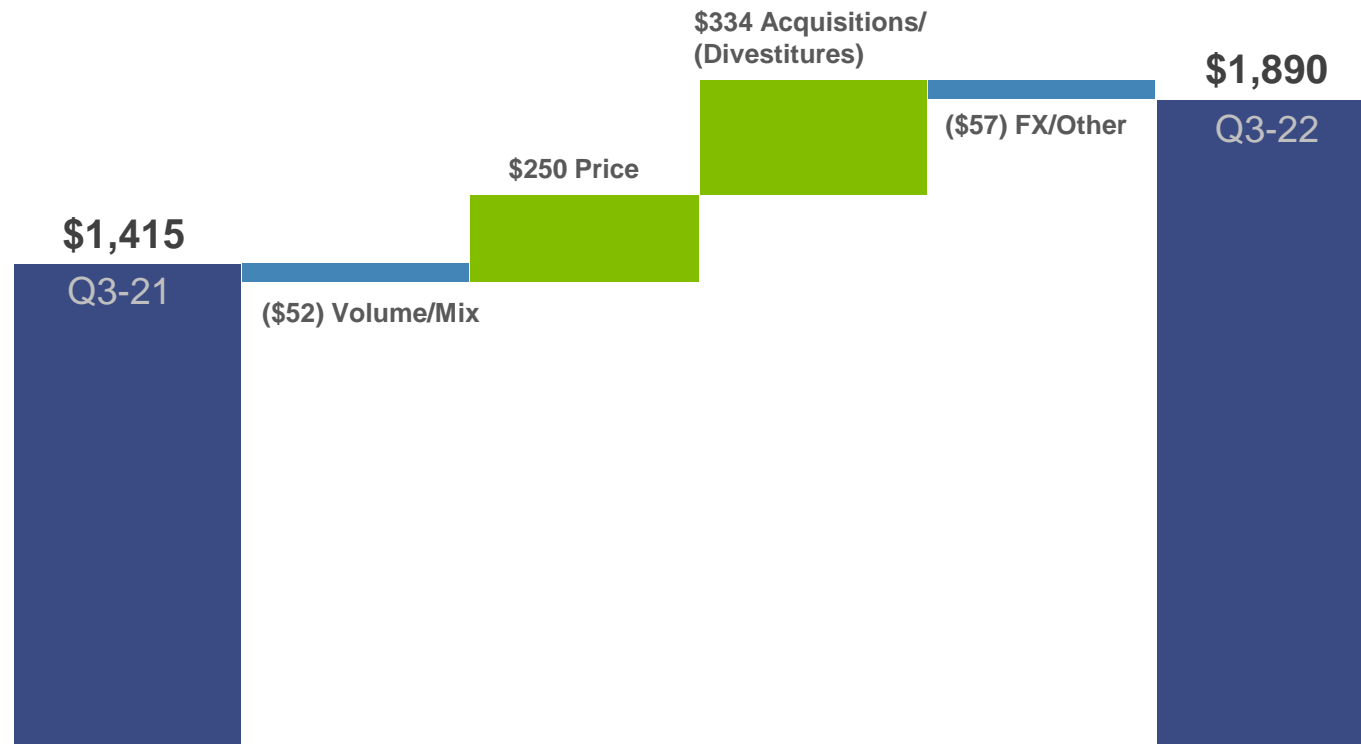
Base Earnings Per Share



Q3-22 Performance Drivers

Sales Bridge (Year-over-Year)

(Dollars in millions)



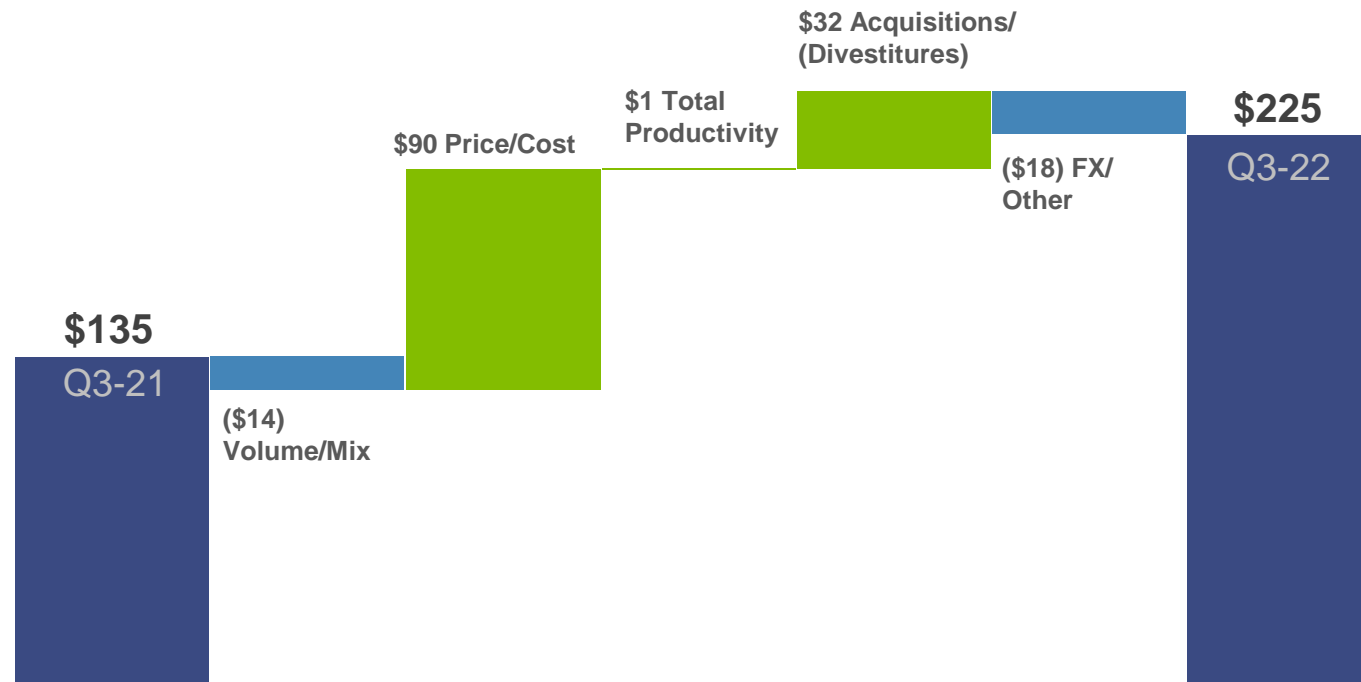
Sales Drivers

- **Volume/Mix:** Volume declines primarily from Industrials led by Europe and Asia
- **Price:** Strategic pricing contributed positively across all segments
- **Acquisitions:** Metal Packaging contributed positively and integration activities on schedule
- **FX/Other:** FX impacted negatively from a strong dollar

Q3-22 Performance Drivers

Base Operating Profit Bridge (Year-over-Year)

(Dollars in millions)



Profit Drivers

- **Volume/Mix:** Lower primarily from Industrials including #10 shutdown
- **Price/Cost:** Strategic pricing and lower materials cost offset ongoing inflation (energy and wages)
- **Acquisitions:** Contribution from Metal Packaging acquisition
- **FX/Other:** Negative FX impacts and other non-recurring benefit expenses

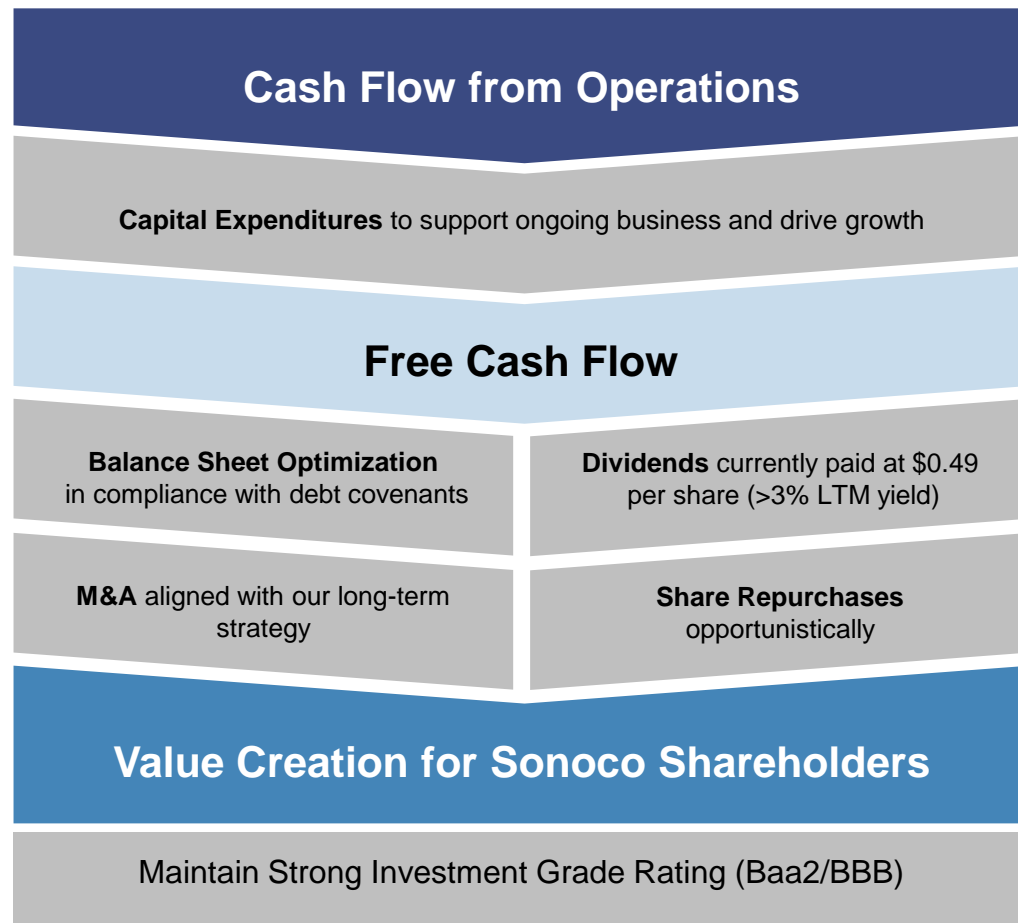
Q3-22 Segment Performance

	Net Sales		Base Operating Profit		Operating Profit as % of Sales		OP Bridge Drivers (Y/Y)			
	\$MM	Y/Y Growth	\$MM	Y/Y Growth	%	Y/Y Growth	Volume/Mix	Price/Cost	Total Productivity	Acquisitions/ (Divestitures)
CONSUMER	\$1,031	72%	\$128	93%	12.4%	130 bps	⊕	⊕	⊕	⊕
INDUSTRIAL	\$661	4%	\$82	48%	12.4%	365 bps	⊖	⊕	⊖	—
ALL OTHER	\$198	10%	\$15	19%	7.8%	60 bps	—	⊕	—	—
TOTAL	\$1,890	34%	\$225	67%	11.9%	240 bps				

Capital Allocation

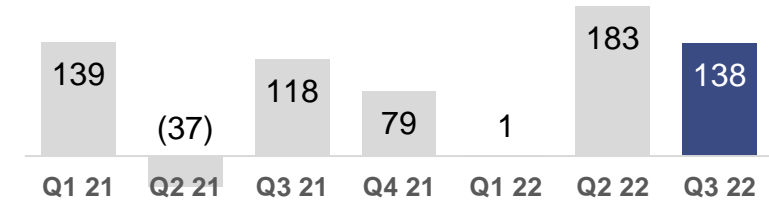
Capital Allocation Framework is Aligned to Business Strategy to Drive Value Creation for Shareholders

Capital Allocation Priorities



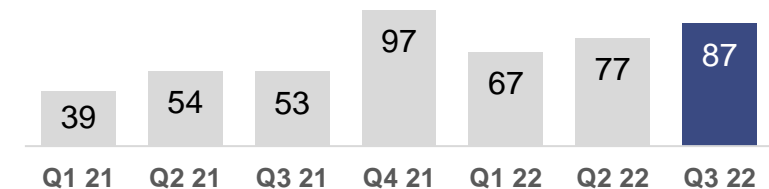
Operating Cash Flow

(\$M)



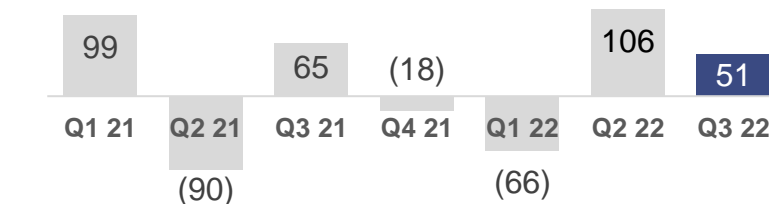
Net Capital Expenditures

(\$M)



Free Cash Flow

(\$M)



Financial Outlook

\$ Millions (Unless Noted Otherwise)	2022 Guidance
Base EBITDA	\$1,140 - \$1,160
Base EPS (Excludes Amortization of Acquisition Intangibles)	\$6.40 - \$6.50
Operating Cash Flow	\$565 - \$615
Free Cash Flow	\$265 - \$315

Summary

- Raising full year base EPS guidance by \$0.20 at the midpoint to a range of \$6.40 - \$6.50 from prior guidance of \$6.20 - \$6.30 to reflect strong year-to-date performance
- Increasing full year **EBITDA** guidance by \$12.5 million
- Reducing **Free Cash Flow** guidance by \$100 million at the midpoint from higher inventory levels driven by inflation and supply chain

Q4-22 Base EPS Guidance of \$1.20 to \$1.30

Q4-22 Segment Outlook

CONSUMER PACKAGING

- Legacy Packaging:
 - Lower food shipments as planned from completion of pre-holiday packaging
 - Seasonality for fresh foods
- Metal Packaging:
 - Expected seasonal reduction in metal food can production
 - Aerosol metal cans lower than COVID highs
- Ongoing capital investments to expand capacity for Sustainable packaging
- Continued strategic pricing benefits
- Stable raw material pricing

INDUSTRIAL PRODUCTS

- Continued softness in European and Asian volumes
- Some seasonality and slowing in North America manufacturing volumes
- Protective packaging for whitegoods remains muted
- #10 machine operational; qualification program and production ramps underway
- Additional capital investments for productivity improvements
- Stable strategic pricing
- Steady Tan Bending Chip and lower OCC prices
- Managing ongoing energy challenges

ALL OTHER BUSINESSES

- Stable demand across most products including transit packaging for pharmaceuticals including seasonal vaccines
- European markets remain soft
- Pricing actions continue to drive value
- Managing non-material inflation and some material constraints
- Improving resin prices



Business Update

Howard Coker

President and
Chief Executive Officer



Executing on our ESG/Sustainability Mission

Sonoco's Corporate Responsibility Report for 2022 was released in Q3



Partnerships and Memberships



Ranked **1st** in the Packaging sector on *Fortune's* World's Most Admired Companies



Barron's 100 Most Sustainable Companies for the **4th consecutive year**



Investing in Our Core – Project Horizon \$125M Investment



Shutdown #10 medium production Hartsville Mill Operations in Q3-22

Machine conversion to Uncoated Recycled Paperboard (URB) completed and #10 **started up** for qualification and production ramp

Excellent teamwork by Sonoco and our supplier partners to reach this milestone to produce high-value paper grades from recycled fiber

As planned, **#1 and #9** machines were retired in October



**~\$30M in
savings per year
by 2024**

Investing in Our Core – Skjern Paper Acquisition

COMPANY OVERVIEW



- Established in 1965 in Skjern, Denmark
- One mill with production from 100% recycled paper
- Well invested mill with a strong ESG profile (biomass boiler) with less reliance on natural gas

PROJECT SPECIFICS

- Signed agreement and announced transaction on September 28; expected to close in Q4-22
- Purchase price of \$88M
- 2022 sales outlook of ~\$50M revenue
- Integration planning underway
- Provides runway to grow existing and new customers in Europe
- Aligns with strategy to grow our core businesses

Progress on Strategic Priorities

Priorities	Progress to Date
Simplify the Portfolio	<ul style="list-style-type: none">• Aligning to fewer, bigger businesses• Manufacturing footprint optimization• Focus on maximizing for operational and logistical efficiencies
Align Structure and Talent	<ul style="list-style-type: none">• Simplifying infrastructure for cost savings and efficiency• Enhancing focus on centers of excellence and shared services• Building a talented, diverse and inclusive workforce through focused actions
Invest to Grow our Core	<ul style="list-style-type: none">• Allocating strategic growth capital to high return opportunities• Executing ongoing self-help activities• Augmenting the core with inorganic investments where required
Execute Sustainability	<ul style="list-style-type: none">• Sustainability is core to our mission• Reducing environmental impacts (operational & product footprints)• Partnership collaborations to drive circular economy solutions

Appendix



EPS Summary 2022 Vs. 2021

	3rd Quarter		Year to Date	
	2022	2021	2022	2021
GAAP EPS	\$ 1.24	\$ 1.12	\$ 3.74	\$ (1.51)
Addback for:				
Acquisition related costs, net	0.01	0.01	0.48	0.09
LIFO Reserve change	—	—	0.19	—
Acquisition Intangibles Amortization expense	0.16	0.09	0.46	0.28
Restructuring, net	0.16	0.03	0.37	0.06
Non-Operating Pension costs	0.01	—	0.03	4.16
Other Items	0.02	(0.25)	(0.06)	(0.15)
Base EPS	<u>\$ 1.60</u>	<u>\$ 1.00</u>	<u>\$ 5.21</u>	<u>\$ 2.93</u>

P&L Summary (Base)

3rd Quarter: 2022 Vs. 2021

(Dollars in millions)

	2022	2021	Better / (Worse)	
			\$	%
Net sales	\$ 1,890	\$ 1,415	\$ 475	33.6 %
Gross profit	367	258	109	42.3 %
SG&A Expenses, net of Other Income	142	123	19	(15.2)%
Operating profit	\$ 225	\$ 135	\$ 90	67.1 %
Net interest	(26)	(14)	(12)	(79.8)%
Income before income taxes	\$ 200	\$ 120	\$ 80	65.6 %
Provision for income taxes	46	23	23	(100.0)%
Net Income, after tax	\$ 153	\$ 98	\$ 55	56.8 %
Equity in Affiliates and Minority Interest	4	2	2	78.6 %
Net income attributable to Sonoco	<u>\$ 158</u>	<u>\$ 100</u>	<u>\$ 58</u>	<u>57.9 %</u>
EBITDA	\$ 284	\$ 184	100	54.3 %
Gross profit %	19.4 %	18.2 %		
SG&A, net of Other Income %	7.5 %	8.7 %		
Operating profit %	11.9 %	9.5 %		
Operating profit before D&A%	14.9 %	12.9 %		
Effective tax rate	23.1 %	18.8 %		

NOTE: Due to rounding individual items may not sum down



P&L Summary (Base)

3rd Quarter Year to date: 2022 Vs. 2021

(Dollars in millions)

	2022	2021	Better / (Worse)	
			\$	%
Net sales	\$ 5,575	\$ 4,151	\$ 1,424	34.3 %
Gross profit	1,184	798	386	48.4 %
SG&A Expenses, net of Other Income	(448)	(370)	(78)	21.1 %
Operating Profit	\$ 736	\$ 428	\$ 308	72.0 %
Net interest	(68)	(49)	(19)	(38.8)%
Income before income taxes	668	379	289	76.3 %
Provision for income taxes	164	90	(74)	(82.2)%
Net Income, after tax	\$ 504	\$ 289	\$ 215	74.4 %
Equity Affiliates and Minority Interest	10	5	5	100.0 %
Net income attributable to Sonoco	\$ 514	\$ 295	\$ 219	74.2 %

EBITDA	\$ 907	\$ 577	\$ 330	57.2 %
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Gross Profit %	21.2 %	19.2 %
SG&A %	8.0 %	8.9 %
Operating profit %	13.2 %	10.3 %
Operating profit before D&A %	16.3 %	13.9 %
Effective tax rate	24.6 %	23.7 %



NOTE: Due to rounding individual items may not sum down

Balance Sheet

(Dollars in millions)

	10/2/2022	12/31/2021	Change
Cash and cash equivalents	\$ 182	\$ 171	\$ 11
Trade accounts receivable, net of allowances	973	756	217
Other receivables	113	96	17
Inventories	1,016	562	454
Prepaid expenses	127	74	53
Assets held for sale	—	—	—
Current Assets	\$ 2,411	\$ 1,659	\$ 752
Property, plant and equipment, net	1,627	1,298	329
Goodwill	1,642	1,325	317
Other intangible assets, net	710	278	432
Right of Use Asset - Operating leases	297	268	29
Other assets	289	246	43
Total Assets	\$ 6,976	\$ 5,073	\$ 1,903
Payable to suppliers and others	1,302	1,103	199
Income taxes payable	37	12	25
Liabilities held for sale	—	—	—
Total debt	3,140	1,611	1,529
Pension and other postretirement benefits	152	158	(6)
Noncurrent operating lease liabilities	253	234	19
Deferred income taxes and other	156	106	50
Total equity	1,935	1,850	85
Total Liabilities and Shareholders' Equity	\$ 6,976	\$ 5,073	\$ 1,903
 Net debt / Total capital	 60.5 %	 43.8 %	

Net debt = Total debt minus cash and cash equivalents. Total capital = Net debt plus total equity

NOTE: Due to rounding individual items may not sum down



Q4-22 Modeling Information

\$ Million (Unless Noted Otherwise)	Q4-22 Model Inputs
Base Operating Margin	10 - 11%
Depreciation & Amortization	\$60 – \$65 million
Effective Tax Rate	~25%
Weighted Average Shares (in millions)	98,800

- Base Effective Tax Rate increasing 200 bps as Q3 benefitted from discrete tax benefit
- Depreciation (Amortization is non-base) increasing ~\$5 million over Q3 as capital projects, specifically Project Horizon, come online

Q4-22 Base EPS Guidance of \$1.20 to \$1.30