

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 U.S. generally accepted accounting principles ("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

To assess and communicate the financial performance of the Company, Sonoco's management uses, both internally and externally, certain financial performance measures that are not in conformity with GAAP. These "non-GAAP" financial measures (referred to as "Adjusted") reflect adjustments to the net income attributable to the Company ("GAAP results") to exclude amounts, including the associated tax effects, relating to:

- restructuring/asset impairment charges¹;
- acquisition, integration, and divestiture-related costs;
- gains or losses from the divestiture of businesses and other assets;
- losses from the early extinguishment of debt;
- non-operating pension costs;
- amortization expense on acquisition intangibles;
- changes in last-in, first-out ("LIFO") inventory reserves;
- certain income tax events and adjustments;
- derivative gains/losses;
- other non-operating income and losses; and
- certain other items, if any.

¹Restructuring and restructuring-related asset impairment charges are a recurring item as the Company'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.

The Company's management believes the exclusion of the amounts relating to the above-listed items improves the period-to-period comparability and analysis of the underlying financial performance of the business. Non-GAAP figures previously identified by the term "Base" are now identified using the term "Adjusted," for example, "Adjusted Operating Profit," "Adjusted Net Income" (referred to as "Adjusted Earnings"), and Adjusted Diluted Earnings per Share (referred to as "Adjusted EPS").

In addition to the "Adjusted" results described above, the Company also uses Adjusted EBITDA and Adjusted EBITDA Margin. Adjusted EBITDA is defined as net income excluding the following: interest expense; interest income; provision for income taxes; depreciation, depletion and amortization expense; non-operating pension costs; net income attributable to noncontrolling interests; restructuring/asset impairment charges; changes in LIFO inventory reserves; gains/losses from the divestiture of businesses and other assets; other income; acquisition, integration and divestiture-related costs; derivative gains/losses; and other non-GAAP adjustments, if any, that may arise from time to time. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by net sales.

The Company's non-GAAP financial measures are not calculated in accordance with, nor are they an alternative for, measures conforming to GAAP, and they may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles.

The Company presents these non-GAAP financial measures to provide investors with information to evaluate Sonoco's operating results in a manner similar to how management evaluates business performance. The Company consistently applies its non-GAAP financial measures presented herein and uses them for internal

planning and forecasting purposes, to evaluate its ongoing operations, and to evaluate the ultimate performance of management and each business unit against plans/forecasts. In addition, these same non-GAAP financial measures are used in determining incentive compensation for the entire management team and in providing earnings guidance to the investing community.

Material limitations associated with the use of such measures include that they do not reflect all period costs included in operating expenses and may not be comparable with similarly named financial measures of other companies. Furthermore, the calculations of these non-GAAP financial 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 any limitations in such non-GAAP financial measures, management believes that it is useful in evaluating the Company's results to review both GAAP information, which includes all of the items impacting financial results, and the related non-GAAP financial measures that exclude certain elements, as described above. Further, Sonoco management does not, nor does it suggest that investors should, consider any non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Whenever reviewing a non-GAAP financial measure, investors are encouraged to review the related reconciliation to understand how it differs from the most directly comparable GAAP measure.

Whenever Sonoco uses a non-GAAP financial measure it provides a reconciliation of the non-GAAP financial measure to the most directly comparable GAAP financial measure. Investors are encouraged to review and consider these reconciliations.

The following tables reconcile the Company's non-GAAP financial measures to their most directly comparable GAAP financial measures for each of the periods presented:

Adjusted Operating Profit, Adjusted Income Before Income Taxes, Adjusted Provision for Income Taxes, Adjusted Earnings Attributable to Sonoco, and Adjusted EPS

	For the three-month period ended December 31, 2023					
<i>Dollars in thousands, except per share data</i>	Operating Profit	Income Before Income Taxes	Provision for Income Taxes	Net Income Attributable to Sonoco	Diluted EPS	
As Reported (GAAP)	\$ 135,346	\$ 102,553	\$ 22,275	\$ 81,242	\$ 0.82	
Acquisition, integration and divestiture-related costs	4,063	4,063	2,158	1,905	0.02	
Changes in LIFO inventory reserves	(1,631)	(1,631)	(414)	(1,217)	(0.01)	
Amortization of acquisition intangibles	24,182	24,182	6,207	17,975	0.18	
Restructuring/Asset impairment charges	3,952	3,952	576	3,378	0.03	
Loss from divestiture of business and other assets	(85)	(85)	(253)	168	—	
Other income, net	—	(2,714)	(694)	(2,020)	(0.02)	
Non-operating pension costs	—	3,888	958	2,930	0.03	
Net gain from derivatives	(397)	(397)	(100)	(297)	—	
Other adjustments	1,389	1,360	4,013	(2,653)	(0.03)	
Total adjustments¹	31,473	32,618	12,451	20,169	\$ 0.20	
Adjusted	166,819	135,171	34,726	101,411	\$ 1.02	

¹Due to rounding individual items may not sum across

For the three-month period ended December 31, 2022

<i>Dollars in thousands, except per share data</i>	Operating Profit	Income Before Income Taxes	Provision for Income Taxes	Net Income Attributable to Sonoco	Diluted EPS
As Reported (GAAP)	\$ 126,918	\$ 94,845	\$ 1,797	\$ 97,204	\$ 0.98
Acquisition, integration and divestiture-related costs	7,555	7,555	2,110	5,445	0.06
Changes in LIFO inventory reserves	3,357	3,357	687	2,670	0.03
Amortization of acquisition intangibles	20,065	20,065	4,888	15,177	0.15
Restructuring/Asset impairment charges	13,553	13,553	3,930	9,238	0.09
Non-operating pension costs	—	2,822	823	1,999	0.02
Net loss from derivatives	11,083	11,083	2,761	8,322	0.08
Other adjustments	1,299	1,299	15,911	(14,614)	(0.14)
Total adjustments ¹	56,912	59,734	31,110	28,237	\$ 0.29
Adjusted	183,830	154,579	32,907	125,441	\$ 1.27

*Due to rounding individual items may not sum across

For the twelve-month period ended December 31, 2023

<i>Dollars in thousands, except per share data</i>	Operating Profit	Income Before Income Taxes	Provision for Income Taxes	Net Income Attributable to Sonoco	Diluted EPS
As Reported (GAAP)	\$ 715,790	\$ 614,832	\$ 149,278	\$ 474,959	\$ 4.80
Acquisition, integration, and divestiture-related costs	26,254	26,254	6,407	19,847	0.20
Changes in LIFO inventory reserves	(11,817)	(11,817)	(2,977)	(8,840)	(0.09)
Amortization of acquisition intangibles	87,264	87,264	21,523	65,741	0.66
Restructuring/Asset impairment charges	56,933	56,933	12,920	44,036	0.44
Gain on divestiture of business and other assets	(78,929)	(78,929)	(19,076)	(59,853)	(0.60)
Other income, net	—	(39,657)	(9,624)	(30,033)	(0.30)
Non-operating pension costs	—	14,312	3,547	10,765	0.11
Net gain from derivatives	(1,912)	(1,912)	(482)	(1,430)	(0.01)
Other adjustments	10,142	10,113	5,433	4,680	0.05
Total adjustments	\$ 87,935	\$ 62,561	\$ 17,671	\$ 44,913	\$ 0.46
Adjusted	\$ 803,725	\$ 677,393	\$ 166,949	\$ 519,872	\$ 5.26

Due to rounding, individual items may not sum appropriately.

For the twelve-month period ended December 31, 2022

<i>Dollars in thousands, except per share data</i>	Operating Profit	Income Before Income Taxes	Provision for Income Taxes	Net Income Attributable to Sonoco	Diluted EPS
As Reported (GAAP)	\$ 675,396	\$ 571,282	\$ 118,509	\$ 466,437	\$ 4.72
Acquisition, integration, and divestiture-related costs	70,210	70,210	17,640	52,570	0.53
Changes in LIFO inventory reserves	28,445	28,445	7,083	21,362	0.22
Amortization of acquisition intangibles	80,427	80,427	19,554	60,873	0.62
Restructuring/Asset impairment charges	56,910	56,910	11,269	45,542	0.46
Non-operating pension costs	—	7,073	2,007	5,066	0.05
Net loss from derivatives	8,767	8,767	2,183	6,584	0.07
Other adjustments	(290)	(426)	18,515	(18,941)	(0.19)
Total adjustments	\$ 244,469	\$ 251,406	\$ 78,251	\$ 173,056	\$ 1.76
Adjusted	\$ 919,865	\$ 822,688	\$ 196,760	\$ 639,493	\$ 6.48

Due to rounding, individual items may not sum appropriately.

For the twelve-month period ended December 31, 2021

<i>Dollars in thousands, except per share data</i>	Operating Profit	Income Before Income Taxes	Provision for Income Taxes	Net Income Attributable to Sonoco	Diluted EPS
As Reported (GAAP)	\$ 486,853	\$ (160,982)	\$ (67,430)	\$ (85,477)	\$ (0.86)
Acquisition, integration, and divestiture-related costs	17,722	17,722	3,534	14,188	0.14
Changes in LIFO inventory reserves	2,529	2,529	632	1,897	0.02
Amortization of acquisition intangibles	49,419	49,419	12,241	37,178	0.37
Restructuring/Asset impairment charges	14,210	14,210	5,363	8,847	0.11
Loss on divestiture of business	2,667	2,667	1,509	1,158	0.01
Non-operating pension costs	—	568,416	144,868	423,548	4.23
Loss on early extinguishment of debt	—	20,184	5,195	14,989	0.15
Net gain from derivatives	(4,036)	(4,036)	(1,082)	(2,954)	(0.03)
Other adjustments	(4,580)	(6,745)	14,410	(20,497)	(0.21)
Total adjustments	\$ 77,931	\$ 664,366	\$ 186,670	\$ 478,354	\$ 4.79
Adjusted	\$ 564,784	\$ 503,384	\$ 119,240	\$ 392,877	\$ 3.93

Due to rounding, individual items may not sum appropriately.

For the year ended December 31, 2020

<i>Dollars and shares in thousands, except per share data</i>	GAAP	Restructuring/ Asset Impairment	Amortization of Acquisition Intangibles	Other Adjustments⁽¹⁾	Adjusted
Operating profit	\$ 357,804	\$ 145,580	\$ 52,899	\$ 23,605	\$ 579,888
Non-operating pension costs	30,142	—	—	(30,142)	—
Interest expense, net	72,070	—	—	—	72,070
Income before income taxes	\$ 255,592	\$ 145,580	\$ 52,899	\$ 53,747	\$ 507,818
Provision for income taxes	53,030	32,868	13,040	28,362	127,300
Income before equity in earnings of affiliates	\$ 202,562	\$ 112,712	\$ 39,859	\$ 25,385	\$ 380,518
Equity in earnings of affiliates, net of tax	4,679	—	—	—	4,679
Net income	\$ 207,241	\$ 112,712	\$ 39,859	\$ 25,385	\$ 385,197
Net loss/(income) attributable to noncontrolling interests, net of tax	222	(60)	—	—	162
Net income attributable to Sonoco	\$ 207,463	\$ 112,652	\$ 39,859	\$ 25,385	\$ 385,359
Per diluted common share*	\$ 2.05	\$ 1.11	\$ 0.39	\$ 0.25	\$ 3.81

*Due to rounding individual items may not sum across

⁽¹⁾ Other Adjustments presented above reflect the combined total of non-operating pension costs of \$22.2 million, acquisition-related costs of \$3.4 million, and other net non-operating charges of \$0.2 million.

Adjusted EBITDA and Adjusted EBITDA Margin

EBITDA Reconciliation	Three Months Ended	
<i>Dollars in thousands</i>	December 31, 2023	December 31, 2022
Net income attributable to Sonoco	\$ 81,242	\$ 97,204
Adjustments		
Interest expense	35,323	30,420
Interest income	(3,704)	(1,170)
Provision for income taxes	22,275	1,797
Depreciation, depletion, and amortization	91,601	77,729
Non-operating pension costs	3,888	2,822
Net income attributable to noncontrolling interests	588	(99)
Restructuring/Asset impairment charges	3,952	13,553
Changes in LIFO inventory reserves	(1,631)	3,357
(Gain)/Loss from divestiture of business and other assets	(85)	—
Acquisition, integration and divestiture-related costs	4,063	7,555
Other income, net	(2,714)	—
Net (gain)/loss from derivatives	(397)	11,083
Other non-GAAP adjustments	1,389	1,298
Adjusted EBITDA	\$ 235,790	\$ 245,549
Net Sales	\$ 1,635,800	\$ 1,676,022
Net Income Margin	5.0 %	5.8 %
Adjusted EBITDA Margin	14.4 %	14.7 %

Adjusted EBITDA and Adjusted EBITDA Margin

	For the Year Ended		
	December 31, 2023	December 31, 2022	December 31, 2021
<i>Dollars in thousands</i>			
Net income attributable to Sonoco	\$ 474,959	\$ 466,437	\$ (85,477)
Adjustments			
Interest expense	136,686	101,662	63,991
Interest income	(10,383)	(4,621)	(4,756)
Provision for income taxes	149,278	118,509	(67,430)
Depreciation, depletion, and amortization	340,988	308,824	245,184
Non-operating pension costs	14,312	7,073	568,416
Net income attributable to noncontrolling interests	942	543	2,766
Restructuring/Asset impairment charges	56,933	56,910	14,210
Changes in LIFO inventory reserves	(11,817)	28,445	2,529
(Gain)/Loss from divestiture of business and other assets	(78,929)	—	2,667
Other income, net	(39,657)	—	—
Acquisition, integration and divestiture-related costs	26,254	70,210	17,722
Loss from early extinguishment of debt	—	—	20,184
Net (gain)/loss from derivatives	(1,912)	8,767	(4,036)
Other non-GAAP adjustments	10,142	(290)	(4,580)
Adjusted EBITDA	\$ 1,067,796	\$ 1,162,469	\$ 771,390
Net Sales	\$ 6,781,292	\$ 7,250,552	\$ 5,590,438
Net Income Margin	7.0 %	6.4 %	(1.5)%
Adjusted EBITDA Margin	15.7 %	16.0 %	13.8 %

Segment Adjusted EBITDA and All Other Adjusted EBITDA Reconciliation

For the Year Ended December 31, 2023

<i>Dollars in thousands</i>	Consumer Packaging segment	Industrial Paper Packaging segment	All Other	Corporate	Total
Segment and Total Operating Profit	\$ 382,063	\$ 317,917	\$ 103,745	\$ (87,935)	\$ 715,790
Adjustments:					
Depreciation, depletion and amortization	124,483	104,722	24,519	87,264	340,988
Equity in earnings of affiliates, net of tax	564	9,783	—	—	10,347
Restructuring/Asset impairment charges	—	—	—	56,933	56,933
Changes in LIFO inventory reserves	—	—	—	(11,817)	(11,817)
Acquisition, integration and divestiture-related	—	—	—	26,254	26,254
Gain from divestiture of business and other assets	—	—	—	(78,929)	(78,929)
Net gains from derivatives	—	—	—	(1,912)	(1,912)
Other non-GAAP adjustments	—	—	—	10,142	10,142
Segment Adjusted EBITDA	\$ 507,110	\$ 432,422	\$ 128,264	\$ —	\$ 1,067,796

Net Sales	\$3,626,977	\$2,374,113	\$ 780,202
Segment Operating Profit Margin	10.5 %	13.4 %	13.3 %
Segment Adjusted EBITDA Margin	14.0 %	18.2 %	16.4 %

Net debt is a non-GAAP financial measure consisting of the total of the Company's short and long-term debt less cash and cash equivalents. The ratio of net debt to adjusted EBITDA is a measurement of leverage showing the number of years it would take for a company to repay its debt if net debt and adjusted EBITDA are held constant. The reconciliation below shows the calculation of net debt to adjusted EBITDA for the periods presented.

Net Debt to Adjusted EBITDA

<i>Dollars in millions</i>	For the period ended				
	December 31, 2021	April 3, 2022 ¹	December 31, 2022	October 1, 2023 ¹	December 31, 2023
Notes payable and current portion of long-term debt	\$ 412	\$ 441	\$ 502	\$ 42	\$ 47
Long-term debt	1,199	2,730	2,720	3,212	3,036
Total Debt	1,611	3,171	3,222	3,255	3,083
Less: Cash and cash equivalents	171	152	227	258	152
Net Debt	\$ 1,440	\$ 3,019	\$ 2,995	\$ 2,997	\$ 2,931
Adjusted EBITDA	\$ 771	\$ 880	\$ 1,162	\$ 1,077	\$ 1,067
Net Debt to Adjusted EBITDA	1.87	3.43	2.58	2.78	2.75

¹ Adjusted EBITDA for this interim period is for the trailing twelve months.