

# Financial Review

## Sonoco Fourth Quarter 2022 and Full Year 2022 Results

Investor Presentation | February 2023



Better  
Than Ever.



# Forward-Looking Statements / Non-GAAP Financial Measures

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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 [investor.sonoco.com](http://investor.sonoco.com) under Webcasts & Presentations, [Non-GAAP Reconciliations for Q4 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 [investor.sonoco.com](http://investor.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

# 2022 Results Summary

## FINANCIAL PERFORMANCE

REVENUE	BASE EBITDA	BASE NET INCOME	BASE EARNINGS PER SHARE*
<b>\$7.25B</b> +30% y/y	<b>\$1.15B</b> +51% y/y	<b>\$639M</b> +63% y/y	<b>\$6.48</b> +65% y/y

## HIGHLIGHTS

- **2022: a year of step change improvements in the profitability profile of Sonoco**
  - Organization and portfolio simplification – focus on fewer bigger businesses
  - Multi-year efforts on Commercial Excellence programs yielding results
  - Efficient and high return capital deployment (organic capital for portfolio alignment and M&A)
  - Ahead of expectations on Metal Packaging acquisition – demonstrated integration expertise
  - Significant progress on ESG/Sustainability programs
- **2022: Record performance in the 124-year history of the Company**

\* See Appendix for EPS base to GAAP reconciliation. See [investor.sonoco.com](http://investor.sonoco.com) for reconciliations of other non-GAAP financial measures.





# Financial Results

**Rob Dillard**

Chief Financial Officer



# Q4-22 Financial Results

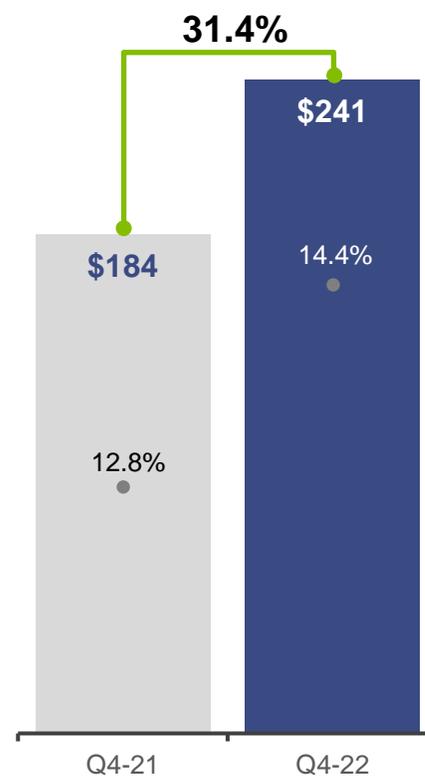
## Net Sales (\$M)



## Base Operating Profit (\$M)



## Base EBITDA (\$M)



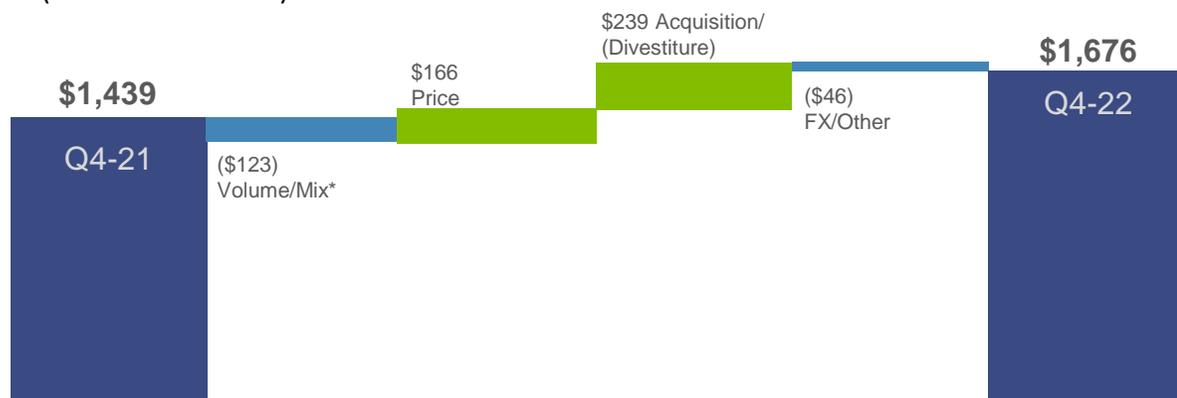
## Base EPS



# Q4-22 Performance Drivers

## Sales Bridge (Year-over-Year)

(Dollars in millions)

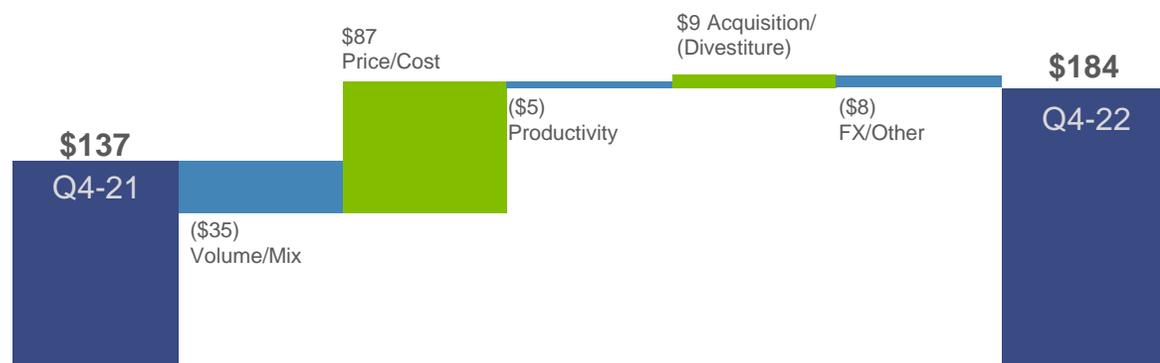


## Sales Drivers

- **Volume/Mix:** Volume declines in Consumer from weather impacts to plastic packaging and lower Industrial demand including the exit of the corrugated medium paper market
- **Price:** Strategic pricing contributed positively across all segments offsetting volume declines
- **Acquisitions:** Metal Packaging contributed positively
- **FX/Other:** FX impacted negatively from a strong dollar

## Base Operating Profit Bridge (Year-over-Year)

(Dollars in millions)



## Profit Drivers

- **Volume/Mix:** Lower primarily from Industrials
- **Price/Cost:** Strategic pricing and lower materials cost in Industrials, offset material inflation in Consumer and All Other, as well as wage and energy inflation across the Segments
- **Acquisitions:** Contribution from Metal Packaging acquisition
- **FX/Other:** Negative FX impacts and other non-recurring expenses

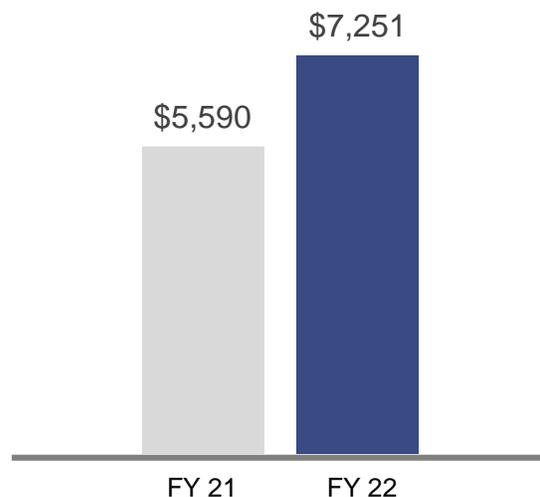
# Q4-22 Segment Results

	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	
<b>CONSUMER</b>	<b>\$879</b>	49%	<b>\$85</b>	37%	<b>9.7%</b>	(83 bps)	<ul style="list-style-type: none"> <li>Growth driven by Sonoco Metal Packaging acquisition, price/cost and productivity</li> <li>Seasonal unit volume declines sequentially as expected</li> <li>Plastic packaging below forecast from weather</li> </ul>
<b>INDUSTRIAL</b>	<b>\$597</b>	(9%)	<b>\$79</b>	34%	<b>13.3%</b>	422 bps	<ul style="list-style-type: none"> <li>Unit volume declines globally led by Europe and Asia</li> <li>Volume declines also reflect the exit from Russia and the corrugated medium market</li> <li>Positive price/cost offset volume declines</li> </ul>
<b>ALL OTHER</b>	<b>\$200</b>	3%	<b>\$20</b>	24%	<b>9.8%</b>	168 bps	<ul style="list-style-type: none"> <li>Overall volumes mixed</li> <li>Strategic pricing benefited operating profit</li> </ul>
<b>TOTAL</b>	<b>\$1,676</b>	16%	<b>\$184</b>	34%	<b>11.0%</b>	145 bps	

# 2022 Financial Summary

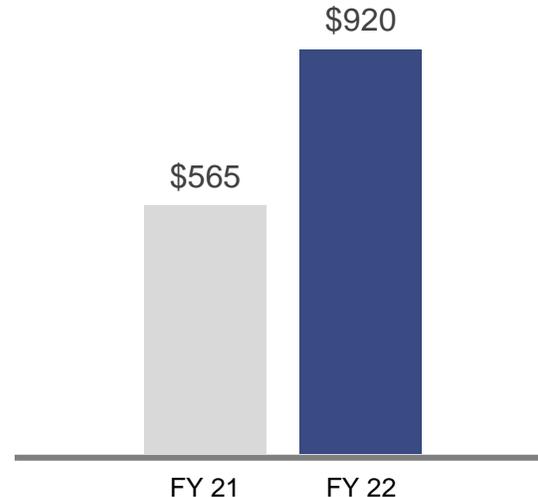
## Net Sales (\$M)

+30%



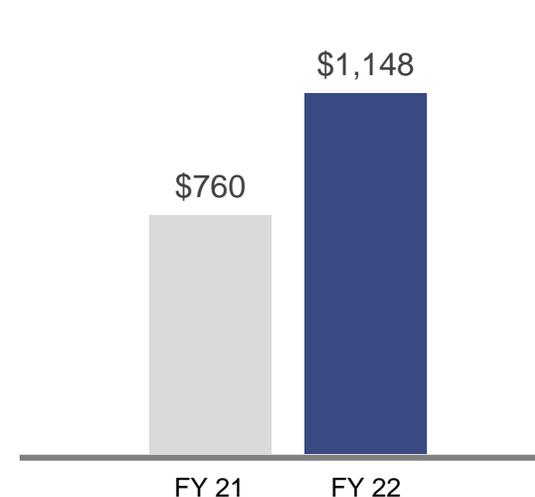
## Base Operating Profit (\$M)

+63%



## Base EBITDA (\$M)

+51%



## Base EPS

+65%



## By Reporting Segment

	Revenue	Base OP
Consumer	52%	57%
Industrial	37%	36%
All Other	11%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

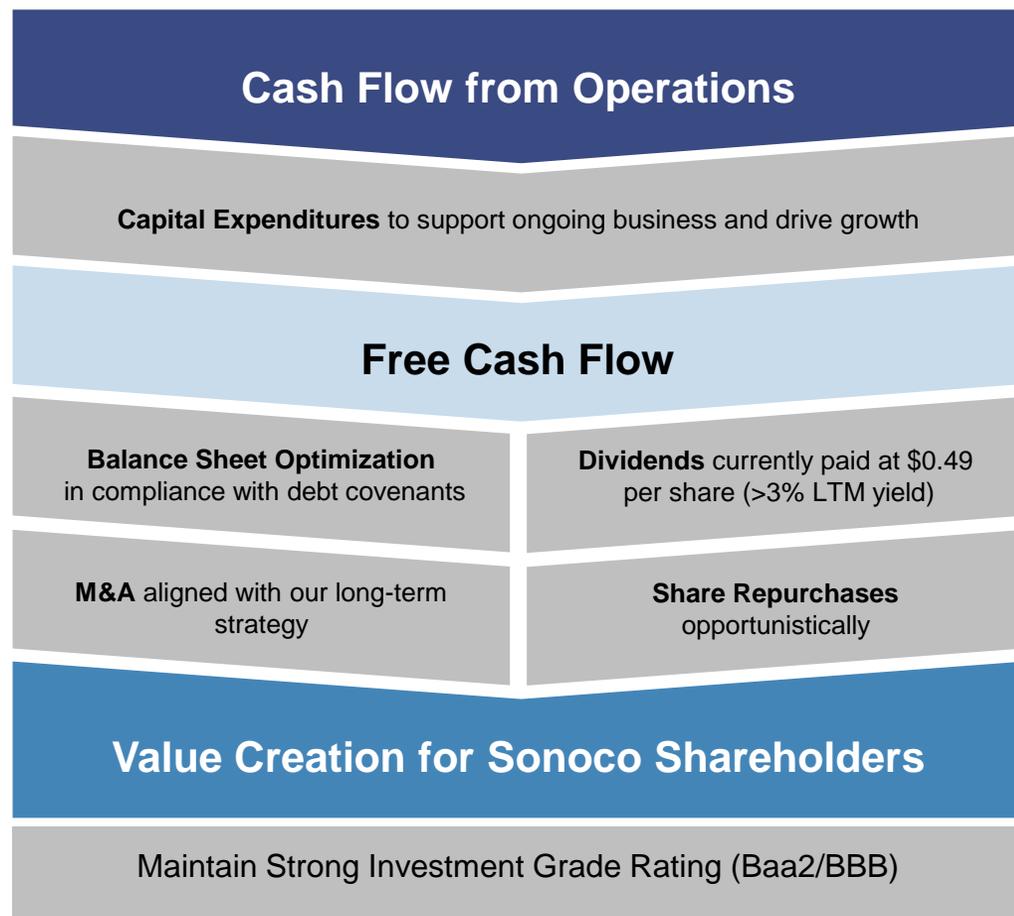
## Performance Highlights

- Revenue of \$7.3B grew ~30% mainly driven by acquisitions, volume improvements in consumer food packaging, and strategic pricing
- Base EBITDA margin increased to 15.8%
- Free cash flow of ~\$190M below expectations from higher working capital; expect working capital positive reversion in 2023
- Strong base EPS growth YoY ~65%
- Closed Skjern Paper acquisition in Q4
- Announced RTS Packaging acquisition in Q4; expect to close in 2H 2023

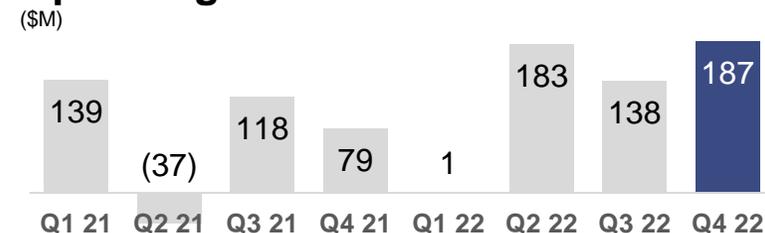
# Capital Allocation

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

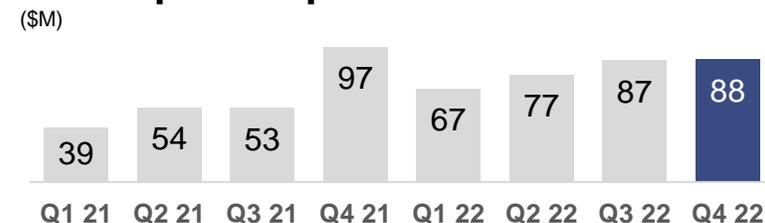
## Capital Allocation Priorities



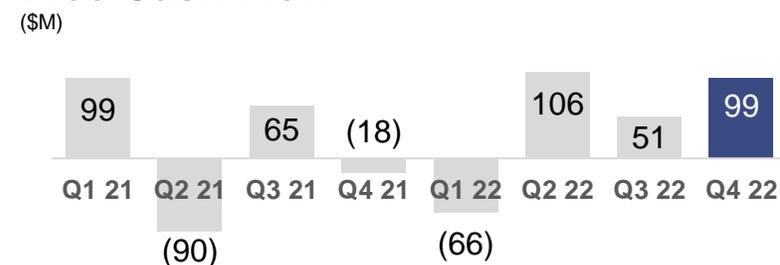
## Operating Cash Flow



## Net Capital Expenditures



## Free Cash Flow



# 2023 Financial Outlook

\$ Millions (Unless Noted Otherwise)	2023 Guidance
<b>Base EBITDA</b>	\$1,100 - \$1,150
<b>Base EPS</b> (Excludes Amortization of Acquisition Intangibles)	\$5.70 - \$5.90
<b>Operating Cash Flow</b>	\$925 - \$975
<b>Free Cash Flow</b>	\$550 - \$650

## Summary

- Consumer segment volumes positive for full year driven by food packaging products
- Expect lower volumes in the Industrial segment
- All Other volume up slightly for the full year
- Ongoing benefit of commercial excellence programs
- Higher productivity with improved supply chain and labor conditions
- Improvements in working capital to yield substantial cash flow improvements

**Q1-23 Base EPS Guidance of \$1.15 to \$1.25**

# Segment Outlook

## CONSUMER PACKAGING

### Q1-23 Outlook

- Volumes improving sequentially across consumer packaging
- Severe weather impacts continue to mute near term demand for plastic food packaging
- Headwinds from steel price declines and other raw material costs

### 2023 Outlook

- Volume increases across the portfolio
- Ongoing capital investments to expand capacity and Sustainable packaging
- Continued strategic pricing benefits
- Stabilization of raw material supply and pricing

## INDUSTRIAL PRODUCTS

### Q1-23 Outlook

- Continued softness in volumes globally
- Positive price/cost driven primarily by lower raw material cost
- Continued grade qualifications and full production ramp up of #10 Machine
- Productivity improving

### 2023 Outlook

- Monitoring Europe and Asia volumes carefully
- Additional capital investments for productivity improvements
- Maintain positive price/cost - energy inflation remains variable
- Minimal impacts from Tan Bending Chip and OCC prices

## ALL OTHER BUSINESSES

### Q1-23 Outlook

- Benefits of positive pricing actions
- Managing non-material inflation and labor availability
- Improving resin prices

### 2023 Outlook

- Stable demand across the portfolio
- Pricing actions across the business continue to drive value
- Improved productivity across the group



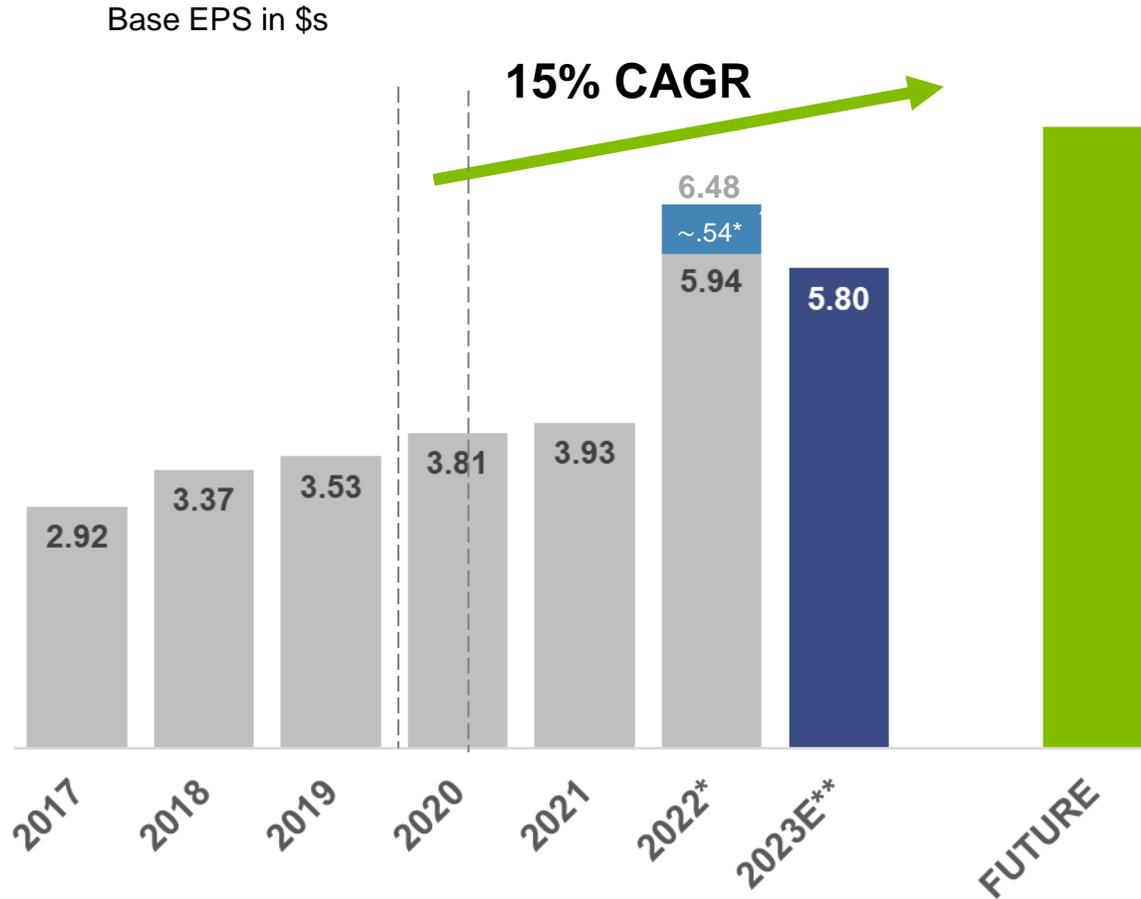
# Business Update

**Howard Coker**

President and  
Chief Executive Officer



# 2022: A Year of Progress... More to Come



- High return capital investments have driven a **step change** improvement in our earnings profile as we reshape the portfolio
- Based on 2023 guidance mid-point, expectation is **15% CAGR** in Base EPS from 2020
- Objective is to continue profit growth in the **future** through organic and inorganic investments

\* Full year Metal Price Overlap Benefit for all Sonoco

\*\* Mid-point of Company's EPS Guidance for 2023

Restated for Amortization of Intangibles from Acquisitions starting 2020  
See investor.sonoco.com for reconciliations of non-GAAP financial measures

# Looking Ahead: 2023 and Beyond

**Capital allocation is the cornerstone of our strategy: focused on increasing our dividend and maintaining an investment grade balance sheet.**

- Expect Q1-23 to be the low-water mark for the year based on customer forecasts – improvements through Q2 and Q3 and then a seasonal Q4
- Stable operational performance (essentially flat y/y on Base EBITDA) with improving translation of earnings to cash
- Significantly improved Free Cash Flow ~\$600M in 2023
- Further portfolio rationalization for improved stability and profitability; remain focused on incremental \$180M annualized Base EBITDA benefits by 2026
- Continued focus on increasing Return on Invested Capital through core organic and accretive acquisition investments

**Never more positive about the long-term outlook for Sonoco**



# Appendix



# EPS Summary 2022 Vs. 2021

	4th Quarter		Year To Date	
	2022	2021	2022	2021
<b>GAAP EPS</b>	\$ 0.98	\$ 0.66	\$ 4.72	\$ (0.86)
<b>Addback for:</b>				
Acquisition related costs, net	0.06	0.05	0.53	0.14
LIFO Reserve change	0.03	—	0.22	—
Acquisition Intangibles Amortization expense	0.15	0.09	0.62	0.37
Restructuring, net	0.09	0.03	0.46	0.09
Non-Operating Pension costs	0.02	0.06	0.05	4.24
Other Items	(0.06)	0.10	(0.12)	(0.05)
<b>Base EPS</b>	<u>\$ 1.27</u>	<u>\$ 0.99</u>	<u>\$ 6.48</u>	<u>\$ 3.93</u>

# P&L Summary (Base) 4th Quarter: 2022 Vs. 2021

(Dollars in millions)

	2022	2021	Better / (Worse)	
			\$	%
Net sales	\$ 1,676	\$ 1,439	\$ 237	16.5 %
Gross profit	317	264	53	20.1 %
SG&A Expenses, net of Other Income	(133)	(127)	(6)	(4.7)%
Operating profit	\$ 184	\$ 137	\$ 47	34.3 %
Net interest	(29)	(12)	(17)	(141.7)%
Income before income taxes	\$ 155	\$ 125	\$ 30	24.0 %
Provision for income taxes	33	30	(3)	(10.0)%
Net Income, after tax	\$ 122	\$ 95	\$ 27	28.4 %
Equity in Affiliates and Minority Interest	4	3	1	33.3 %
Net income attributable to Sonoco	\$ 126	\$ 98	\$ 28	28.6 %
EBITDA	\$ 241	\$ 184	57	31.0 %
Gross profit %	18.9 %	18.3 %		
SG&A, net of Other Income %	8.0 %	8.8 %		
Operating profit %	11.0 %	9.5 %		
EBITDA%	14.4 %	12.8 %		
Effective tax rate	21.3 %	23.8 %		

# P&L Summary (Base) 4th Quarter Year to date: 2022 Vs. 2021

(Dollars in millions)

	2022	2021	Better / (Worse)	
			\$	%
Net sales	\$ 7,251	\$ 5,590	\$ 1,661	29.7 %
Gross profit	1,501	1,062	439	41.3 %
SG&A Expenses, net of Other Income	(581)	(497)	(84)	16.9 %
Operating Profit	\$ 920	\$ 565	\$ 355	62.8 %
Net interest	(97)	(61)	(36)	(59.0)%
Income before income taxes	\$ 823	\$ 504	\$ 319	63.3 %
Provision for income taxes	197	119	(78)	(65.5)%
Net Income, after tax	\$ 626	\$ 385	\$ 241	62.6 %
Equity Affiliates and Minority Interest	14	9	5	55.6 %
Net income attributable to Sonoco	\$ 640	\$ 394	\$ 246	62.4 %
EBITDA	\$ 1,148	\$ 760	\$ 388	51.1 %
Gross Profit %	20.7 %	19.0 %		
SG&A, Net of Other Income %	8.0 %	8.9 %		
Operating profit %	12.7 %	10.1 %		
EBITDA %	15.8 %	13.6 %		
Effective tax rate	23.9 %	23.6 %		

# Balance Sheet

(Dollars in millions)

	12/31/2022	12/31/2021	Change \$
Cash and cash equivalents	\$ 227	\$ 171	\$ 56
Trade accounts receivable, net of allowances	863	756	107
Other receivables	99	96	3
Inventories	1,102	562	540
Prepaid expenses	106	74	32
<b>Current Assets</b>	<b>\$ 2,398</b>	<b>\$ 1,659</b>	<b>\$ 739</b>
Property, plant and equipment, net	1,710	1,297	413
Goodwill	1,675	1,325	350
Other intangible assets, net	742	278	464
Long-term Deferred Income Taxes	30	26	4
Right of Use Asset - Operating leases	297	268	29
Other assets	238	220	18
<b>Total Assets</b>	<b>\$ 7,090</b>	<b>\$ 5,073</b>	<b>\$ 2,017</b>
Payable to suppliers and others	1,255	1,103	152
Income taxes payable	17	12	5
<b>Total debt</b>	<b>3,260</b>	<b>1,647</b>	<b>1,613</b>
Pension and other postretirement benefits	120	158	(38)
Noncurrent operating lease liabilities	251	234	17
Deferred income taxes and other	114	70	44
<b>Total equity</b>	<b>2,073</b>	<b>1,850</b>	<b>223</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 7,090</b>	<b>\$ 5,073</b>	<b>\$ 2,017</b>
<b>Net debt / Total capital</b>	<b>59.4 %</b>	<b>44.4 %</b>	

**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

2022 includes preliminary purchase price accounting estimates related to Sonoco Metal Packaging acquisition that are subject to change



# 2023 Modeling Information

\$ Million (Unless Noted Otherwise)	2023 Model Inputs
Base Operating Margin	11 - 12%
Depreciation & Amortization	~\$260 million
Effective Tax Rate	~25%
Net Interest Expense	~\$115 million
Weighted Average Shares (in millions)	98,900

- Expect capital expenses to be ~\$350M in 2023
- Assumes US dollar to be weaker on average in 2023
- Depreciation (Amortization is non-base) increasing ~\$33 million over 2022 as capital projects come online
- Full year of Metal Packaging related debt and higher interest rates on floating rate debt drive higher interest expense

Note: Slide contains supporting reference information for guidance