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SON - Q3 2017 Sonoco Products Co Earnings Call

EVENT DATE/TIME: OCTOBER 19, 2017 / 3:00PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the Third Quarter 2017 Sonoco Earnings Conference Call. (Operator Instructions)

And as a reminder, this conference is being recorded.

Now I would like to welcome and turn the call to Mr. Roger Schrum, Vice President of Investor Relations.

Roger P. Schrum - *Sonoco Products Company - Corporate VP of IR & Corporate Affairs*

Thank you, Carmen. Good morning, everyone, and welcome to Sonoco's investor conference call to discuss our 2017 third quarter financial results and future outlook. Joining me today are Jack Sanders, President and Chief Executive Officer; Rob Tiede, Executive Vice President and Chief Operating Officer; and Barry Saunders, Senior Vice President and Chief Financial Officer.

A news release reporting our financial results was issued before the market opened today and is available on the Investor Relations section of our website at sonoco.com. In addition, we will reference a presentation on the third quarter results, which was also posted on our Investor Relations website this morning.

Before we go further, let me remind you that today's call and 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.

Furthermore, today's presentation includes the use of non-GAAP financial measures, which management believes provides useful information to investors about the company's financial condition and results of operations. Further information about the company's use of non-GAAP financial measures, including definitions as well as reconciliations of those measures to the most closely related GAAP measure, is also available in the Investor Relations section of our website.

Now, with that, let me turn it over to Barry.

Barry L. Saunders - *Sonoco Products Company - Senior VP & CFO*

Thank you, Roger. I'll begin on Slide 3, where you see that earlier this morning, we reported third quarter earnings per share on a GAAP basis of $0.72 and base earnings of $0.76, which is near the high side of our guidance of $0.71 to $0.77 and compares to base earnings of $0.72 for the same period last year. The differences between GAAP and base earnings were acquisition-related expenses of $0.02 and non-base tax items of $0.02.

Looking briefly at our base income statement on Slide 4. You see sales were $1,325,000,000, up $116 million or just under 10% from the prior year, and you'll see the key drivers in the sales bridge in just a moment, but in summary, was driven by higher selling prices, the impact of acquisitions and the favorable impact of exchange rates, while volume was essentially flat for the quarter for the company as a whole.

Gross profit was $250.9 million, or $15.5 million above the prior year, while the gross profit margin dropped slightly to 18.9% versus 19.5% at the same time last year.

Selling, general and administrative and other income and expense items was $127.6 million, which was up right at $7 million from last year, due to entirely to the impact of acquisitions, as normal inflation was offset by lower spending, all then resulting in base EBIT of $123.3 million, up $8.5 million or just over 7% from the prior year. And you'll see all of the drivers of the change in the EBIT bridge in just a moment.

Below EBIT, interest of $13.6 million was higher than last year due to acquisition financing, income taxes of $34.9 million or higher than last year due most notably to higher pretax earnings and a slightly higher effective tax rate of 31.8%.

Equity and affiliates when combined with minority interest was $1.9 million, not notably different from last year, thus ending up with base earnings of $76.6 million or $0.76 per share.

And looking at the sales bridge on Slide 5, you see volume was essentially flat for the third quarter, but to provide some details by segment, Consumer Packaging volume was down just slightly, roughly 0.5%, as a 2% pickup in plastics was partially offset by flexibles volume being down just over 3%, while global composite can sales were essentially flat. It is worth pointing out that within plastics, we actually saw 6% organic growth in food-related packaging, which is the focus area for the business, but it was partially offset by some weakness in nonfood, which again netted to an overall 2% improvement for plastics as a whole.

Display and Packaging segment overall volume was essentially flat, but there was a lot of moving pieces within the business, which we'll talk more about in the EBIT discussion.

Volume in the Paper and Industrial Converted Products segment as a whole was up 1% this quarter. Within this segment, tube and core activity in Europe was up 5%, associated with notably stronger demand by our customers in most served markets other than the paper industry. But in contrast, U.S. and Canada volume was down about 1.5% due mostly to some minor net share loss in the textile and specialty market segments.

Corrugating medium sales were strong in the quarter, and even our reels business saw nice year-over-year growth. Recycling was the only notable business in that segment with a year-over-year decline due to a dropoff in the export sales to China and the continued impact of e-commerce on the overall market supply.

Protective Solutions segment volume was down by about 1.5% as growth in both consumer-based protective packaging and temperature-assured packaging was more than offset by a 13% decline in foam components sold into the transportation industry.

So moving on down the bridge to price. You see that prices were higher year-over-year by $58 million, driven by the Paper and Industrial Converted Products segment associated with higher OCC prices where, based on prices in the Southeast, averaged $182 per ton this year versus $107 in the same quarter last year. Selling prices were also higher in Consumer Packaging but to a much lower extent due to the recovery of higher prices for paper, steel and resins.

Moving down to acquisitions and divestitures. You see the net impact was favorable by $38 million this quarter, almost all in the Consumer Packaging segment, due to sales and flexibles, driven by the Clear Lam acquisition in late July and last year's fourth quarter acquisition of Plastic Packaging, Inc. While in plastics, sales from the Peninsula acquisition were essentially offset by the lost sales from the blow-molding divestiture.

And finally, exchange and other was favorable to the top line by $21 million due to the notable weakening of the dollar versus the same period last year.

So moving on to the EBIT bridge on the next page. As you would expect, the flattish volume had no significant impact on earnings for the quarter. Price cost, including the benefit of procurement productivity, was very favorable by $11 million for the quarter. The most favorable variance is in the Paper and Industrial Converted Products segment, with almost half of the improvement in that segment associated with higher selling prices for corrugating medium, but we also saw the benefit in our integrated industrial businesses in North America. Price cost was also positive in the Consumer Packaging segment due to procurement productivity, and was even marginally favorable in Protective Solutions, which have been running negative in previous quarters.

Moving down a line, you see the impact of acquisitions net of divestitures at the EBIT level was insignificant as the earnings from the Clear Lam and Peninsula acquisitions were offset by the divestiture of blow-molding. I will point out that we saw a nice net pickup at the gross profit level, but it is essentially offset by higher fixed cost, including the amortization of intangibles from the acquisitions.

Moving down to manufacturing productivity. We saw a step-up to $5 million this quarter. Consumer Packaging productivity was actually quite strong, with year-over-year improvements in all of the businesses. Display and Packaging was essentially flat even with our retail security business having negative productivity associated with the ramp-up of the new battery packaging business. Paper and Industrial Converted productivity was relatively weak due to some negative productivity in our tube and core businesses in the U.S. and Canada and in recycling, driven by the notably lower volume. But we also had light productivity in our paperboard mills in North America due to more days of downtime this quarter, mostly associated with scheduled maintenance. And Protective Solutions did have another weak operational quarter, particularly impacted by the low volume in the transportation-related plants.

One line down, you see the change in all other, which is kind of the catch-all category, was unfavorable, but only by $8 million, where normal nonmaterial inflation of just over $12 million was then partially offset by fixed cost productivity and the impact of exchange rates, which had a positive impact of just over $2 million on EBIT, resulting in a favorable impact on earnings per share of roughly $0.02 per share, again, related to translation of currencies.

And lastly, pension expense was slightly favorable by right of $1 million on a year-over-year basis.

So moving on to the results by segment on Slide 7. You see Consumer Packaging sales were up 9% due most notably to acquisitions, and to a lesser extent, higher prices and foreign exchange rates; and EBIT up just over 6%, with the margin dropping only slightly and still a very strong 12%. Display and Packaging sales were up 3%, but EBIT well off year-over-year due most notably to the significant ramp-up of production at our new battery pack center in Fairburn, Georgia, resulting in an EBIT margin of only 1.4%.

Paper and Industrial Converted Product sales were up almost 14% due most notably to higher selling prices associated with the higher OCC prices, while EBIT improved by $8.9 million, or 27%, due most notably to favorable price cost and volume, resulting in the EBIT margin of 8.7%.

Protective Solutions sales were up almost 6%, but EBIT was off 10% due mostly to the negative manufacturing productivity that I mentioned a few minutes ago, resulting in an EBIT margin of 8.1% versus 9.5% last year, all thus ending with total company margins of 9.3% as compared to 9.5% for the same quarter last year.

Looking forward on Slide 8, you see we are targeting to drive base earnings of $0.68 to $0.74 for the fourth quarter, with a midpoint of $0.71, which compares to $0.62 in the same period last year. The outlook for the quarter assumes no significant step change in volume other than the normal seasonality and certainly takes into consideration material changes with OCC prices having moved lower in October but resins still increasing. This brings our full year to $2.75 to $2.81 per share with a midpoint of $2.78, which would be another record year in base earnings for our company.

Moving from earnings to cash flow on Slide 9. You see that year-to-date cash from operations is $282 million, down $66 million from the same period last year, due to several moving pieces that occurred most notably in the first half of the year related to higher cash tax payments and changes in various assets and liabilities such as incentive accruals and miscellaneous receivables, all of which we described on last quarter's conference call.

I will point out that cash from operations in the third quarter, just for the quarter alone, was quite strong and in line with what we expected at $178 million as it compared with $163 million in the third quarter of last year. So after $141 million in capital spending and paying out $114 million in dividends, we've generated $27 million in free cash flow on a year-to-date basis.

For the full year, we have updated our estimate of free cash flow to be roughly $70 million, which is reduced from our prior estimate of $100 million, due simply to the fact that we have decided to make a $50 million voluntary contribution to our U.S. qualified defined benefit plan later this month, with after the tax impact will use roughly $30 million in cash. This $50 million contribution is simply accelerating the projected expected minimum contributions that we would be otherwise required to make in 2018 and 2019 to that particular plan.

So that completes my financial review for the quarter and we'll now turn it over to Jack for some additional comments.

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Thanks, Barry. Let me talk briefly about the quarter and then address some key opportunities and challenges we see heading into the fourth quarter.

Let me start by thanking our team for delivering a strong quarter, both at the top line with record quarterly sales and at the bottom line with record base earnings, which exceeded consensus estimates.

Our businesses were well managed during the quarters. They delivered strong improvements in total productivity and successfully navigated a volatile raw material environment.

In looking at the segments, we were very pleased with the record sales and operating profits generated by our Consumer Packaging segment, particularly in the challenging packaged food market. Segment operating margins remained strong at 12%.

Our Paper and Industrial segment continues a strong rebound, with sales up nearly 14% and operating profit up 27% to the highest level in 3 years. This performance was particularly impressive considering the impact of higher recovered paper costs.

Results from our Display and Packaging and Protective Solutions segments lagged last year's quarter, but each produced sequential quarterly improvements as we continue to adjust these businesses to changing market conditions. For instance, Display and Packaging continues to ramp production in the new battery pack center near Atlanta. During the quarter, we increased our temporary workforce from about 60 associates to nearly 600 just to handle the tremendous volume demand resulting from 4 hurricanes in August and September. This ramp-up increased our operating cost and negatively impacted results.

In Protective Solutions, volume in our legacy consumer protective packaging business and our temperature-assured packaging business were solid, while our components business continues to be impacted by weak demand for automotive sedans.

During the quarter, we added Clear Lam plastics to our Consumer Packaging segment, and we are very pleased with this new addition. As a reminder, the key attraction of Clear Lam is the ability to leverage their expertise in modified atmosphere packaging to drive growth to our existing flexible and thermoforming customers who require improved shelf life. Clear Lam was accretive to the quarter and we are meeting our synergy targets. Ultimately, Clear Lam will allow us to internalize much of our needs for multilayer barrier films to provide packaging for the growing perimeter of the store, where consumers are buying more fresh fruits, vegetables and prepared foods.

As we look at the fourth quarter, we are cautiously optimistic that the momentum we experienced at the end of the third quarter will continue into the fourth quarter. As a result, we are raising our full year guidance to $2.75 to $2.81 or a midpoint of about $2.78 a share. We faced some obstacles in the quarter, but we also have opportunities. Due to the hurricanes, we expect higher resin prices during the fourth quarter, which should provide a headwind to our polymer-based packaging businesses. As a result, we are implementing price increases to our noncontract customers and expect our contractual cost recovery mechanisms to ultimately offset current cost increases. On the other hand, we covered paper prices at fall and entering the fourth quarter, which should help our paper-based businesses recover previous raw material inflation.

We were very fortunate to weather the hurricanes and other natural disasters with a minimal impact to our operations. And I'm also very proud of how our employees responded to the needs of those that were impacted. After Hurricane Harvey, our employees began raising funds and day-to-day necessities to send to the victims in Texas, Florida, Mexico City and Puerto Rico. All totaled, our employees raised approximately $50,000 for aid relief, which the company has matched. In addition, we have a small paper converting operation in Puerto Rico, which has been shut down since Hurricane Maria struck. We expect production from the plant to be impacted while power and logistics infrastructure is rebuilt.

You've heard me say this before. We believe there is strength in the diversity of our portfolio, and we can see that strength in the results for the quarter. Entering the fourth quarter, we remain aligned with our Grow and Optimize strategy, including pursuing growth through targeted acquisition and by developing new products, particularly for those focused on serving consumer demand for more fresh and healthy foods in the faster-growing perimeter of the store. We also see opportunities to consolidate industrial-related markets and further optimize our portfolio. And finally, to further drive margin expansion and improve our competitiveness, we are working to improve our operating structure by ensuring our businesses are serving the right customers with the right cost structure.

So with that, operator, I'd ask that you please review the Q&A procedures.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is from the line of Ghansham Panjabi with Robert W. Baird.

Ghansham Panjabi - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

I guess, first off, you called out strength in food within consumer. Maybe you can give us some color as to what drove that. And also, what end markets were weaker in the nonfood portion within plastics?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes, some of the strength in the Consumer Packaging relative to food is really thermoforming. As Barry said, it was up a solid 6% in the food service area. That represents some new one volume and an improvement overall, I think, in frozen foods as well.

Barry L. Saunders - *Sonoco Products Company - Senior VP & CFO*

And Ghansham, this is Barry. Just to follow along, the areas that we really saw weakness were in nonfood-related items such as even some of the component (inaudible) sold into automotive and other industrial businesses.

Ghansham Panjabi - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. And then in terms of price/cost for 3Q, which was up $11 million versus being down during the first half, how should we sort of think about 4Q for that line item? I realize there's a lot of moving pieces with OCC and resin, et cetera. But just can you just give us some parameters to think about that line item?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes, obviously, Ghansham, as you said, there's a lot of moving pieces. There's the issues relative to resin rising, OCC being down. I do want to point out that a lot of the price/cost positive that we're seeing is based upon our procurement productivity. We expect that to continue. As we enter the quarter, I wouldn't expect there to be a lot of difference quarter-over-quarter. It's really hard for us to kind of really project it because of the way the [forward] rolls up. But again, I expect a positive fourth quarter as well.

Ghansham Panjabi - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. And just one final one on protective and the call-out on automotive for 3Q. I mean, those are pretty widely known dynamics in terms of auto production going larger during the quarter. Can you share some early thoughts on 4Q, particularly in light of some of the auto sales numbers looking pretty good for the last month in the context of the weather disruptions?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes, I certainly think that we do expect auto sales, or automotive in general, to be up obviously for the same reasons that you do. How it impacts sedans is the key part. Sedans is where we have the vast majority of our components. So we'll have to see how the buying actually goes and then how it impacts us. It is sedan-related versus trucks, really.

Operator

And our next question comes from the line of George Staphos with Bank of America.

George Leon Staphos - *BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research*

I wanted to kick off, Jack, perhaps, you mentioned you saw continued opportunities -- I'm paraphrasing, obviously -- opportunities to consolidate the industrial business and optimize the portfolio. So I'm assuming that's more commentary around productivity, perhaps looking at mills, perhaps looking at converting operations. Can you provide a bit more clarity, if I've interpreted it correctly in the first place, what you were getting at there?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, George, I think you framed it pretty well. There are some opportunities in the marketplace on the industrial side to consolidate both converting operations and potentially paper mills as well. And really, when it finally comes down to it, that's really about pulling more assets over an existing asset base. So we've always taken those opportunities. We are really the business of choice to take a look at those kind of opportunities, and they come to us. And as they come to us, we take a real hard look at it.

George Leon Staphos - *BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research*

Okay. I know this is maybe getting a little bit too close for comfort, but I'll give it a shot. Should we anticipate that this is one of the themes at the upcoming Analyst Day in December, both your opportunity to optimize your portfolio within that segment and perhaps avail yourself of any opportunities that might be in the marketplace to do that as well? And why or why not?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, let me just answer it like this, George. I certainly think the theme in New York is going to be Grow and Optimize to cover those areas, absolutely.

George Leon Staphos - *BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research*

Okay. Appreciate the commentary there. Can you -- perhaps you mentioned it and I missed it, talk a little bit to what was occurring in your flexible volumes being off a bit with an EBIT related to supply chain disruptions with the storm? And otherwise, what else was occurring in that segment that led to some, at least versus our model, it's not a here and a there, some degradation in margin from what we would have otherwise expected?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, again, the consumer margin [hole is] down slightly, so I wouldn't put a lot of weight on that. But definitively, we've heard our customers say that they were impacted a bit by the disruptions caused by the hurricane. There were other disruptions that have occurred over the last couple of years, including cyber-attacks in the -- last couple of years -- last couple of quarters, including cyber-attacks that ultimately trickle down to us. It was about our customers' volume, with one exception: We had some quality-related issues earlier in the year relative to particular form of flexibles. We're beyond that now and are requalifying. So we expect that to return to us as we enter into the fourth quarter and into 2018. But for the most part, it's driven really by direct impact on our customers from any number of different fronts, including weather, cyber and general.

George Leon Staphos - *BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research*

Okay. My last one, and I'll turn it over. You mentioned, I thought, back to PICP, some share loss in U.S. and Canada. It didn't seem like it was that big of a deal given the performance in the quarter, but nonetheless, can you provide a bit more clarity in terms of what was going on there?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes, let me kind of go back to something I've said now for a couple of quarters in a row. One of the things we realized is you can't be everything to everybody. So who do you want to be everything to? So we're defining, really, who are our customers, who do we really want to focus on and we're building a business and a cost structure to focus on those customers. Consequently, some customers that we serve are better served by other suppliers and some of our competitors. So that's a little bit of what you're seeing, George.

Operator

And our next question is from the line of Brian Maguire with Goldman Sachs.

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Brian P. Maguire - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Jack, a pretty big shift in the recycled paper markets since the last earnings call, and you guys are a little bit closer to having your own recycling operations there. I just wondered if you'd care to take a stab at what the outlook might be over the next couple of months there, including what's kind of baked into the fourth quarter guidance. And then sort of related to that, a big gap's opened up between mixed paper and OCC. And just wondering if you guys are looking into more opportunities to use more mixed paper in your feedstock for URB there.

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes. First, Brian, how did I do in the second quarter?

Brian P. Maguire - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

I think at the Investor Day last year, you...

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

(inaudible) what I say.

Brian P. Maguire - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Yes. I think at the end of the day, you were pretty right on in the Investor Day last year.

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

That was lucky. As we kind of move into the end of the quarter or the fourth quarter, obviously, OCC is down. We expect it to drift down, I don't know, maybe another $10 to $20, and then potentially start rising. I think it's kind of all dependent upon when the permits are reissued in China and what happens there. We do think they'll be back in the market. Is it going to be tomorrow? Is it going to be later in the fourth quarter? Is it going to be in the first quarter? That's much harder for us to predict. But right now, I guess, our thought process, it'll probably be like fourth quarter, early first quarter or sometime in the first quarter before that, that all happens. We'll just have to see. But right now, we expect it to trend down a little bit, but not a lot, so it's kind of fixed there.

Brian P. Maguire - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And I just saw the ability to use more mixed paper in your feed. Or do you see some capital projects to do that?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Absolutely. That spreads over $100 in the Southeast right now. And Rodger Fuller is really focused on how do we use more and more and more mixed paper internally, and we're working hard to do that as well because there is an opportunity there. I don't know what China is going to be. I think it's a 0.3% contaminants per bale. That's a very low standard -- or excuse me, a very high standard, a very low percentage. Is it realistic? I don't know. But so that would make it widely available domestically, and we are working hard to see how we use more mixed paper.

Brian P. Maguire - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Safe to say that would require some capital and at least a couple of quarters' worth of effort before you could see a needle mover there?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes, certainly, I think it's going to have a lot to do with filters and other types of cleaning systems. But yes -- but the payback should be pretty strong. So we'd be more than willing to spend it and are more than capable of spending it, so taking a hard look at it.

Brian P. Maguire - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay. Just one last one on the topic. Any pushback from customers now that OCC has fallen to sort of pass that through? And I know you have some of it that's contractually linked and I think positively for you to the September price, which was higher. But beyond that, any pressure to pass it through in the form of lower URB prices?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, certainly, we've not seen it yet. To say there won't be I think would be kind of naïve and probably will be. But this could go up very, very rapidly just like it did at the first of the year, so we're going to resist that. And just talk about the volatility in the marketplace, there'd be no reason to do it, because they could rise just as quickly, and there was some benefit that they received when it rose so quickly that we were a little bit behind the recovery curve. So we're kind of making up a little bit of ground right now.

Operator

And our next question is from the line of Scott Gaffner with Barclays.

Scott Louis Gaffner - *Barclays PLC, Research Division - Director and Senior Analyst*

Just a quick follow-up on one of Brian's questions. I think he asked about the OCC forecast that you're actually using in your guidance for the fourth quarter. Can you give us that number?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

That number as far as...

Scott Louis Gaffner - *Barclays PLC, Research Division - Director and Senior Analyst*

What you're assuming OCC prices are going to be in the fourth quarter that's actually embedded in the guidance that you've given us.

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes. I think -- I'm not sure what it pegged at, but...

Barry L. Saunders - *Sonoco Products Company - Senior VP & CFO*

Starting at the [1 35].

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

[1 35].

Scott Louis Gaffner - *Barclays PLC, Research Division - Director and Senior Analyst*

Okay. All right. And then if I look at productivity year-to-date, obviously, it's -- I think you had said only about $7 million year-to-date. And the volume's obviously been a little bit disappointing relative to what you're originally expecting. I mean, I think you originally thought they were going to be up 2%. Now, it seems like maybe flat is a better number. How much of the productivity efforts are linked to the volume? And can you get the productivity you want in a flat volume environment as it continues into 2018?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, certainly, manufacturing productivity volume plays a strong -- has a strong impact on manufacturing productivity in order to drive through productivity. As we invest, we'd like to pull more volume across the asset, so it does. However, if you step back and look at total productivity for the company, we're actually exceeding our expectations. Some of that comes from working on your fixed cost structure, consolidating facilities and doing those types of things. That's having a positive impact on fixed cost but also negatively impacting manufacturing productivity. As you shift jobs, the receiving plant just doesn't run the job as well as the plant that you may be closing or shutting down. So it takes a little bit. So you see some of that in the mix. Again, I expected better manufacturing productivity this year, driven by an improvement in volume. As we enter next year, we continue to work on rightsizing the business. So I think you're going to see manufacturing productivity continue to improve as we get closer to the right cost structure from a fixed cost standpoint. I hope -- did I answer your question?

Scott Louis Gaffner - *Barclays PLC, Research Division - Director and Senior Analyst*

I think so. The follow-up to that is then just on wage inflation. Is there anything that you've seen, particularly on hourly wages in 2017 going into 2018? I mean, there's a lot of headlines out there around rising wages, especially for retailers, which is not you guys. But anything in particular you can highlight that -- maybe you think that's going to be a bit more of a headwind in 2018 versus 2017?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

I certainly think that, that possibility exists, and it really comes in the acquisition of talent. The biggest issue we're having is getting the right people into the facilities and making sure they're trained properly. So are we going to be willing to pay for someone who's really good and going to stick around? Yes. So that could have some impact on wage inflation, but it's more focused around making sure we have the right people and getting the right people in the facility.

Operator

And our next question is from the line of Debbie Jones with Deutsche Bank.

Deborah Anne Jones - *Deutsche Bank AG, Research Division - Director*

Jack, I want to make sure, you kind of missed the OCC prediction. And just to be clear, you're saying [1 35] in Q4? And I just want to kind of square that with the Southeast price I think currently being closer to [1 30] in October. And then wanted to talk about your containerboard business.

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes, [1 35] was the price that we pegged into the market as we looked into the fourth quarter. That was the starting point. And I said that we expect it to drift down some $10 to $20 over the next 90 days. How that occurs, I'm not exactly sure, but we'll see as they come out. And then I think it'll bottom out around there and then probably begin to strengthen a little bit, depending -- again, depending upon timing of China.

Deborah Anne Jones - *Deutsche Bank AG, Research Division - Director*

Okay. And then I just wanted to talk about your containerboard business and just how that contributed to earnings in the quarter and just kind of updated thoughts on your strategy for that business.

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, there has -- our strategy for that business hasn't changed. We continue to look for a takeout partner for someone to really handle the output of that mill. The mill's running very well, and we're pleased with the way it's running. I would say as far as there was improvement in the mill, but it's less than half of the improvement you see overall on the industrial businesses. The industrial businesses in total performed extremely well. Corrugated did -- the medium machine was a part of that, but it was less than half of that improvement.

Deborah Anne Jones - *Deutsche Bank AG, Research Division - Director*

Okay. that's helpful. And then could you just provide some clarity on the volume growth in tubing cores in Europe? Was that broad-based? Or was there something specific that was driving that?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes, that was pretty broad-based across most segments, as Barry pointed out, minus the paper. And it's across the area in general. It was in what we call the legacy piece of the business. I think Europe in general is probably picking up from a manufacturing -- I think the globe is actually picking up from a manufacturing standpoint. And Europe experienced some of that. We continue to do well in the areas we call the frontier as well.

Operator

And our next question is from Chris Manuel with Wells Fargo Securities.

Christopher David Manuel - *Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst*

I just wanted to kind of drill into 2 of your smaller business, Protective Solutions and [Display and] Packaging. If I start with Protective Solutions, your revenue is still up modestly. It sounds like the temperature-assured business and different components there are still doing well. But I mean the margins had a pretty big fall. I think it's run about 8% all year and run close to 10% last year. I know you said the automotive business has been struggling a bit, and you cited some pretty big volumes down. But what else is happening there? What's kind of the outlook to go forward? If memory serves, I thought that the temperature businesses had a better margin than some of the auto businesses. And maybe it's -- maybe I'm mistaken. Can you maybe give us a sense of the mix and what's happening in there?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes, a couple of things there, Chris. We got behind the price/cost curve early in the business in total. We're just now catching up and expect to be much improved in the fourth quarter [after] the price/cost for Protective Solutions in aggregate. The deleverage that's occurring is really being driven by the automotive decline. That's where we're seeing the deleverage. That's having an impact, and that's impacting the earnings and the margin. And the one thing that probably has been delayed is the number of new drug launches this year on the ThermoSafe side hasn't been as expansive as we thought it would be. I think it's -- again, that's usually just kind of a timing issue. We're beginning to see some of that occur from a launch perspective, and that will have a positive impact on the relative percentage of that business to sales. I also want to point out, however, that our legacy business, which is our paper-based Sonopost business, has done quite well. It did experience some of the price increases associated with the paper that came through and are recovering those costs to contract resets, but their volume's been good. So it's really been a combination of behind the price/cost curve, being deleveraged on the automotive side and probably not as enough or certainly not your expectation of the new drug launches on the ThermoSafe side.

Christopher David Manuel - *Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst*

Okay. So this, in theory then...

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Rob's got one other thing here.

Robert C. Tiede - *Sonoco Products Company - Executive VP & COO*

Let me add a little bit of color with respect to that as well. So we did see a step-up in our ThermoSafe business to -- at the end of the quarter as we're heading into flu season. The previous 2 months were a little quieter than anticipated. The white goods business continues to be strong, performing well across both light goods and HVAC-type products. And then the other thing that occurred in that business in the quarter, you heard Jack talk about addressing rooftops and moving business around, and we did address some of the cost structure in the automotive side, where we did shift some business around that did have a negative impact on margins as they were learning how to run some of these products in other plants.

Christopher David Manuel - *Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst*

Okay. Is that -- that discrete component with automotive or just that line of business, is that something that you would still consider or target or take a look at as a long-term keep or how it fits in the portfolio?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes, Chris. I really like to avoid talking about it in that matter. Let me just say our focus is on thermoforming flexibles and Protective Solutions, especially temperature-assured packaging in our legacy businesses of cans and cores. Does that answer your question?

Christopher David Manuel - *Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst*

Sure, Jack. I think I'm picking up what you're laying down. But -- okay. So then if I could switch gears and go over to display packaging. I appreciate that it's sort of a similar type question. So I mean, that business has normally been running in the 3 or a little bit above 3 over the last several years or so sort of margin. I appreciate that you did a bunch of work, it sounded like, for battery guys this quarter. Is that just a timing issue as well? I mean, I know that you typically don't like to do these things for practice. So how does that change as you kind of go forward with the back towards that?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Two issues in display. We had some slow volume in the general display business domestically earlier in the year. But what's happening right now is you have a convergence of 3 issues. We're starting up a new pack center operation in Atlanta for batteries. That now converges with -- hurricane season comes across that. And of course, batteries are a huge -- in huge demand. And now they're into the peak season, which is the holiday season for batteries. All that's converging. And really, for us, it's a focus to work with the customers, to get everything we can out the door, into the stores. And it'll be what it'll be. All that while trying to ramp up and run a business. So it's going to take -- we're going to have to get through this season before it can settle down, then we can begin to go back to ramp the business up properly, get machines working at the proper speed, et cetera, and get the business staff right. So there is a bit of convergence that's negatively impacting that business. Let me have Rob comment otherwise on that, or any...

Robert C. Tiede - *Sonoco Products Company - Executive VP & COO*

No, I would tell you that you covered it well. It was a vertical startup, and nobody could have predicted us getting hammered by 4 hurricanes, worst hurricane season since 1890, and so it put a lot of pressure in. And one of those hurricanes actually came rumbling right through Atlanta. So it took the operation offline for a couple of days until we got the people back in. So it was a number of things. And as Jack said, our focus as it relates to that business, Europe runs exceptionally well. As it relates to that specific business, we're going to have to work through the fourth quarter because we got to get everything done before the Thanksgiving week that just -- when all the products need to be at stores for holiday season. So it was a number of factors coming together all at once.

Christopher David Manuel - *Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst*

All right. So I mean, but the bottom line for both of these business is, and I'll be maybe a little less coy about how I ask this, is as we move into '18, profitability at normalized margin levels should resume, it sounds like?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

That would be my expectation, yes.

Operator

And our next question is from the line of Mark Wilde with BMO Capital Markets.

Mark William Wilde - *BMO Capital Markets Equity Research - Senior Analyst*

I wondered if you guys can just help me a little bit in terms of kind of puts and takes around raw materials in the fourth quarter? And how do you think about sort of -- you're getting a big benefit from kind of OCC's falling, but you've taken some pressure from resin rising. As you run through it, what's the net?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, I mean, it's very hard for us to get to that number only because of the way the information kind of comes up to us to roll up the forward projection in the quarter. But just kind of back of the envelope, I don't see it being a lot different than what we experienced in the third quarter. It could be a little bit less, but something like what we saw in the third quarter. Again, that's assuming that our assumptions are right about how everything plays out. Barry, any...

Barry L. Saunders - *Sonoco Products Company - Senior VP & CFO*

No, I think that's exactly why we're...

Mark William Wilde - *BMO Capital Markets Equity Research - Senior Analyst*

Okay. And kind of along those lines, Jack, just the benefit for you from kind of supplemental OCC -- or sorry, corrugating medium increase that went in as we moved through the third quarter. Was that a benefit in the third quarter? Do you expect more in the fourth quarter?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes, Mark, to the degree we were able to really pass that through and get it in our customers, yes, it was a benefit. I don't think there'll be any more in the fourth quarter than we've already gotten. So we'll probably see -- we're probably where we are. It's really what we push through from the export side of the business as far as prices on the export side have solidified, and that's been the strongest positive in the corrugated business.

Mark William Wilde - *BMO Capital Markets Equity Research - Senior Analyst*

Is there any way you could kind of quantify how much of a lift that's been in the export market?

Barry L. Saunders - *Sonoco Products Company - Senior VP & CFO*

I don't know it. We can get back to you.

Mark William Wilde - *BMO Capital Markets Equity Research - Senior Analyst*

Okay. All right, that's fine. Just a couple of other ones. I'm just -- it sounds like when you talk about your North American tube and core business, that we're not seeing quite the strength we might expect, given the -- as strong as the manufacturing numbers like the ISM is right now. Any thoughts on that?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, certainly, the North American business is being impacted by the continued decline in the paper and printing and writing and news print area. We were very, very big in that segment, about 4 other dominant players. So that's negatively impacting the business. Again, I want to reiterate, the other piece that's impacting that business is our conscious decision to focus on a specific customer base and then build a business that's really dedicated to serving that customer base. So it's causing a little bit of that. But that performance, that business, too, has probably taken some price from the paper division that's impacting the year-over-year results as well. So it's -- on an integrated basis, you don't see it, but if you break the business apart, it's absorbing a little bit of cost from internal pricing transfer.

Mark William Wilde - *BMO Capital Markets Equity Research - Senior Analyst*

Okay. And then just finally, can you share a few thoughts on what all of this turmoil in retailing is or isn't doing to that display and packing business, and how you think it might change that business over the next 3 to 5 years?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes, let me turn it over to Rob. I think he has a better feel for that.

Robert C. Tiede - *Sonoco Products Company - Executive VP & COO*

Yes, I think there's a couple of things. As we think about it, we've got obviously the display business, it's about interrupting your shopping experience if you're walking through bricks-and-mortar. And as people migrate more to e-commerce, the intersection is not at the bricks-and-mortar, but it's going to be online. And that's where our Trident business is very active in terms of 3D graphics and helping improve the graphics for some of these retailers for you to look at products a little bit differently. But if you look at the macro trend, and we believe that this will continue, the ability to interrupt that shopping experience over time will start to digress.

Operator

And our next question comes from the line of Adam Josephson with KeyBanc.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Jack or Barry, just one follow-up to one of Mark's questions. Can you help us with what resin drag and OCC benefit specifically you're expecting in your 4Q guidance in millions, roughly?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

I just don't have the numbers in that format. And the best I've been able tell you is that it's directionally what you'll see in the third quarter, probably a little bit less.

Barry L. Saunders - *Sonoco Products Company - Senior VP & CFO*

On a total year-over-year basis.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

But you're expecting it to roughly offset each other, it sounds like?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, more than offset. Again, I think that price/cost should be a benefit in the fourth quarter.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Okay. And on resin, Jack, what are you expecting? Are you expecting polyethylene to crash in December, January or February as some others do? Or what are you thinking along those lines?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

By the way, I'm worse at projecting the price of resin than I am most (inaudible). Why you're asking this, I don't know. But based upon what -- we've had a couple of meetings obviously about resin. It's a very important component to us. Obviously, supply issues are critical. We really don't see this having -- going back to a more normalized supply well into the first quarter, into the first quarter of next year. Rob made a point a few minutes ago, it took 6 months after Katrina for this to come back online. I think that first quarter would put us into that 6-month time window again. That feels about right based upon what we're hearing and seeing. So maybe more of a first quarter issue before we start seeing the relief.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Okay. On OCC, Jack, it sounds like you think China's effective ban on recovered paper and ports is not sustainable. If so, why? And would you continue to think that if local Chinese OCC prices were to start declining without imports resuming coming back in?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Make sure I understand -- I'm not sure I actually understood what you were asking.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Well, it sounds like you're saying OCC is going to drop by another $10 to $20 before coming back up either late in 4Q or at some point early next year, right? The implication being China's has to get back in at some point soon, right? Why do you think that? Why do they have to get back in anytime soon?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes. Well, again, everything we'll tell you anecdotal. But first of all, one of the things we hear is that the price for OCC in China right now is between $400 and $500 a ton, the functional equivalent, whatever they may be using, be it pulp or some sort of locally collected, is roughly equivalent to $400 to $500 a ton. Obviously, that is a significant disadvantage globally in the price of OCC. So I think that they need it. The other piece is that AOCC has long been known for long fiber, which is critically important. Domestically, they don't tend to have that type of fiber supply. Even though their recycling rates go up, they need an influx of long fiber to make sure that the paper is strong enough, is my understanding. So those are a few things. I mean, they are building their recycling network. They are improving their recycling rates. But I think they're going to need AOCC for fiber in order to kind of keep the price in line with more of a global market.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

And you don't think they'll use pulp as increasingly more of a substitute?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, again, it's -- that's an option. It's a relative -- what's the relative cost of pulp? As I said, at $400 to $500 a ton, the equivalent OCC, again, that's anecdotal. That's pretty expensive.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Right. Just a couple others. What is your -- I know your -- last quarter, your volume forecast for the year was flat. It had been up 2, and then it was flat. Are you still expecting flat? And forgive me if I missed that earlier.

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes. As we kind of roll into the fourth quarter, we're more or less, it's been down for the first and second quarter. So flat in the third quarter. So that was kind of up. And we expect the fourth quarter to be basically flat again year-over-year.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Okay. Which would imply down somewhat for the -- and then just last one, I mean, obviously, you have both significant industrial and consumer exposure. Industrial is obviously -- has obviously been picking up this year. Consumer seems to have been going in somewhat of the opposite direction at least as it relates to your business. What do you make of the apparent divergence between these 2 economies?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes. Let me go back to something you asked first, and I'll get to that question. When I say flat year-over-year, we expect normal seasonality going into the fourth quarter to be -- we get a pretty strong October and now into November, and then it falls off in December. That's that flow that we expect to be flat. We expect that to be similar adjusted for seasonality. I just want to make sure you understood what I was saying there. As far as the divergence of those 2, Adam, I'm not exactly sure. I do believe the industrial business globally is picking up. I think a lot of it has to do with what I'd call capital investment, building infrastructure, building roads, buying large pieces of equipment, oil and gas coming back on. And all that is on the periphery. And customer sentiment or consumer sentiment, although up, that's not really swinging that number one way or the other. I do think now, however, as you get closer to expansion -- particularly expansion in incomes, that you might see an improvement in consumer spending. As that tends to strengthen, the industrial economy tends to strengthen. And then the consumers beginning to feel it, or people are beginning to feel it in their wallets, that may actually impact consumer spending in a more positive manner than it has so far.

Operator

And our next question is from the line of Chip Dillon with Vertical Research.

Salvator Tiano

This is Salvator Tiano filling in for Chip. So just a couple of questions. Firstly, help me trying to understand, versus where we were exactly 3 months ago in your 2Q release, it seems like the implied Q4 guidance is slightly lower, given, of course, that you did better than the midpoint in Q3. Yet every development since then, OCC prices, FX has been positive. So is there anything we're missing? We probably will have expected the implied guidance to move marginally higher.

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

It is higher. We moved annual guidance up about $0.01.

Salvator Tiano

Yes. But essentially, there must be -- it's I think, $0.015 higher, but $0.02 was above -- the Q3 benefit that was above the midpoint. So essentially, it's primarily higher in Q3 and lower in...

Roger P. Schrum - *Sonoco Products Company - Corporate VP of IR & Corporate Affairs*

This is Roger. Two things I'll mention. One, of course, year-over-year improvement is very substantial. Going from 62 to 71 at midpoint for our guidance for the fourth quarter is a substantial move. We did not provide guidance other than for the full year, which we, again, have raised based upon performance in the third quarter. So our fourth quarter guidance is fairly stable than what we had been projecting. So I don't know if that doesn't match your model. That's one thing. But certainly, we're not moving down guidance for the fourth quarter. If anything, we're staying relatively flat based upon the puts and takes of rising resin and offsetting by lower OCC.

Salvator Tiano

Okay, that's very helpful. And the last thing, I don't know if I missed it, if you discussed before about composite cans, albeit how do you see the outlook there and potential need to add any capacity?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

No. I think that certainly, domestically, we have plenty of capacity. And globally, we are adding capacity as our customers expand their product offering globally. We added Malaysia. Those facilities are -- was running full. And we'll take advantage of that when we have opportunities to expand.

Operator

And our next question is from the line of Steve Chercover with D. A. Davidson.

Steven Pierre Chercover - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

So I suppose these are primarily associated with consumer. But to start with, acquisitions and divestitures were effectively a wash at the EBIT level. So 2 questions based on that. Do you think the revamped portfolio is better poised for growth than it would be absent the swamp -- the swap?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

I do. And the reason I'll tell you that is because we exit the blow-molding business because of our, really, our relative position and what we saw is a change in that business from [morally] highly decorated, value-added product to less-decorated and lower value-added product that was occurring. I'd also tell you that we're just now bringing these acquisitions in. We've only had them for partial years. You've not seen the full year-over-year impact. So I think when that kind of plays out, it'll be a better mix. And blow-molding probably had its best year that we have had it in quite some time in that final year. But as I said, going forward, we saw some headwinds to that, that we really weren't in a position to overcome. Let me ask Rob to add anything else on that.

Robert C. Tiede - *Sonoco Products Company - Executive VP & COO*

No, I think you answered it right. We had the blow-molding, which had its best third quarter ever last year, and we only have a partial for the acquisition of Clear Lam [in], and the Peninsula business, which is heavily skewed towards Q1 and Q2, because that's when growing season goes on, starts to decline towards the end of the year. So I think there is an offset. But in terms of portfolio and where we're growing strategically, absolutely agree. We're much better off in terms of where we want to go. And these are integral pieces to making that happen.

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Clearly, Clear Lam and Peninsula are perimeter.

Steven Pierre Chercover - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Yes. And that's -- and my second question is on the perimeter. So once the migration from the center of the grocery store to the perimeter is largely complete, you expect to resume growth just on an organic level?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

I mean, yes. Once it kind of gets [imbalanced], it would seem that it would grow with food consumption, whatever that may be, which I've always said is around population. Now having said that, I think there's tremendous opportunity on the periphery or the perimeter store for innovation. They've not really seen a lot of innovation in packaging and portion control -- not so much portion control, but easy open and reclose type features, that we think the combination of these 2 businesses together are going to be bringing some pretty interesting things to these customers.

Steven Pierre Chercover - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Because the new acquisitions are pretty cutting-edge. Okay, that's great. And forgive me for one on OCC, but I want to go with the assumption that China has to get back into the market. So we'll just start with that. Is there a long-term impact on your cost structure maybe due to sorting? Or is that something you can address with the capital?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, again, from an OCC perspective, we don't -- we didn't really have any issues relative to the export. It is around mixed waste. And yes, if we wanted to export mixed waste, we'd have to do some sort of sorting because of, again, the way the industry works. I'm not certain that China's going to be willing to pay for that standard that they've established. So I don't know if that standard stays or it goes, but we'll just have to see how that plays out. As far as the impact on us, high, low or indifferent, there's, at some point, when OCC falls below a threshold, it becomes more costly for us to collect than to -- than it does the price we recover. But as long as it stays above that point, it's kind of neutral to us if it's high-priced or low-priced. It has the same impact on the company because of the price -- the pass-through mechanisms on the end products.

Operator

And our last question is from the line of Arun Viswanathan with RBC Capital Markets.

Arun Shankar Viswanathan - *RBC Capital Markets, LLC, Research Division - Analyst*

You guys addressed some of those questions I had as well here. But I just wanted to get your perspective. Historically, when you have seen some changes in raw materials like this, do you characterize kind of a steadily rising raw material inflation market as positive or negative? I.e. when prices are treated like this on the OCC side, do you typically hold on to your price increases?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Yes. If you think about how the price mechanisms reset, it's usually first of quarter. And it's really what happens inside of a quarter that determines impact. Steadily rising or constantly rising would be a negative. Constantly falling would be always positive. It's the volatility that makes it kind of really work for us, that it sets at a point it either goes up or it goes down, and that creates positive or negative. So the volatility that you see really kind of has an overall positive impact or an overall impact. And we show a slide that over the last 10 years, 8 of those, we've had a positive impact on price/cost. And it's just the way that contract resets work because it goes up and down as opposed to constantly accelerating or decelerating.

Arun Shankar Viswanathan - *RBC Capital Markets, LLC, Research Division - Analyst*

Great, that's helpful. And just as a follow-up on your portfolio. You discussed that there is a lot of opportunity on perimeter of the store. How do you expect to kind of address that opportunity? Is there a vibrant pipeline that you're looking at to increase your position there? And if not, what would be the opportunity to either -- are you seeing stabilization in the center of the store or anything else you could help us with there?

M. Jack Sanders - *Sonoco Products Company - President, CEO & Director*

Well, certainly, our customers in the center of the store aren't standing still. We've attended several meetings with customers where they're bringing in a lot of different suppliers -- not packaging suppliers, all kinds of suppliers, talk about how they improve their products, make them more healthy and make them more appealable -- appealing to consumers. So they're working on that. We certainly see the opportunity on the perimeter. We see it that there is other businesses that we can add to the portfolio that would strengthen our position on the perimeter, and we're concentrating on that. And on the final piece, I think that our organization has done a great job over the last 5 years of creating the stability to understand and really deal with what we call insights, where's the market going, our ability to bring that not only to our existing customers, but new customers helps us create packaging that is truly innovative and we believe can help our customers grow not only their revenue but with their profitability as well.

Operator

Thank you. And ladies and gentlemen, this concludes our Q&A session. I will turn the call back to Roger Schrum for his final remarks.

Roger P. Schrum - *Sonoco Products Company - Corporate VP of IR & Corporate Affairs*

Thank you again, Carmen. Sonoco will be hosting its annual breakfast meeting with the financial community on Friday, December 1, 2017, in the Billiard Room at the New York Palace Hotel at 455 Madison Avenue. Breakfast will begin at 7:30 a.m., and presentations will begin just around 8:00. And as usual, we'll have a number of business and strategy updates. And of course, Barry will be providing you with a first look on our financial targets for the coming year. And of course, there will be plenty of time for your questions. As always, we'll be mindful of your time, and we should be completed around 6:00 -- 9:30 a.m. Invitations for the event will be going out as soon as we finish this call, so please look for them. And if you have any questions, just contact my assistant, [Robin Hayter], by phone or by e-mail. Those who cannot attend in person will -- you can join the meeting via webcast at sonoco.com under the Investor Relations website.

In closing, let me again thank you for your time today and for -- we certainly appreciate all your questions. If you have any further questions, please don't hesitate to give us a call. Thanks.

Operator

And with that, ladies and gentlemen, we conclude our conference for today. Thank you for participating. You may all disconnect. Have a wonderful day.
