

## **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 Company's GAAP results to exclude amounts, including the associated tax effects, relating to:

- restructuring/asset impairment charges<sup>1</sup>;
- acquisition/divestiture-related costs;
- gains or losses from the divestiture of businesses;
- 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; and
- other items, if any.

<sup>1</sup>Restructuring and restructuring-related asset impairment charges are a recurring item as Sonoco'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 these 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," and "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/(loss) attributable to noncontrolling interests; restructuring/asset impairment charges; changes in LIFO inventory reserves; gains/losses from the divestiture of businesses or other assets; acquisition/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 generally accepted accounting principles, 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, except with respect to adjusted earnings per share guidance, 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.

**Adjusted Operating Profit, Adjusted Income Before Income Taxes, Adjusted Provision for Income Taxes, Adjusted Net Income and Adjusted Diluted EPS**

	For the three-month period ended July 2, 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	\$ 187,859	\$ 152,177	\$ 40,740	\$ 114,649	\$ 1.16
Acquisition/Divestiture-related costs	4,532	4,532	990	3,542	0.03
Changes in LIFO inventory reserves	(1,575)	(1,575)	(395)	(1,180)	(0.01)
Amortization of acquisition intangibles	20,539	20,539	4,992	15,547	0.16
Restructuring/Asset impairment charges	6,057	6,057	1,325	4,669	0.05
Gain on divestiture of business and other assets	(7,371)	(7,371)	(1,825)	(5,546)	(0.06)
Non-operating pension costs	—	3,342	828	2,514	0.03
Derivative losses	(4,288)	(4,288)	(1,070)	(3,219)	(0.04)
Other adjustments	5,187	5,187	212	4,975	0.06
Total adjustments <sup>1</sup>	23,081	26,423	5,057	21,302	\$ 0.22
Adjusted	210,940	178,600	45,797	135,951	\$ 1.38

\*Due to rounding individual items may not sum across

<sup>1</sup>The difference between GAAP Gross Profit of \$357,318 and Adjusted Gross Profit of \$355,743 is attributable to "Changes in LIFO inventory reserves" shown above. The financial measure titled "SG&A Expenses, net of Other Income" on the schedule "P&L Summary (Adjusted) 2nd Quarter: 2023 Vs. 2022" is the sum of the GAAP measures of "Selling, general and administrative expenses," "Restructuring/Asset impairment charges," and "Gain on divestiture of business and other assets," \$169,459, adjusted for the remaining items above, for an Adjusted total of \$144,805.

**For the three-month period ended April 2, 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	\$ 229,648	\$ 193,320	\$ 46,912	\$ 148,319	\$ 1.50
Acquisition/Divestiture-related costs	5,188	5,188	1,280	3,908	0.04
LIFO reserve change	(5,425)	(5,425)	(1,354)	(4,071)	(0.04)
Amortization of acquisition intangibles	21,164	21,164	5,127	16,037	0.16
Restructuring/Asset impairment charges	28,814	28,814	6,634	22,014	0.22
Gain on divestiture of business and sale of other assets	(72,010)	(72,010)	(17,122)	(54,888)	(0.55)
Non-operating pension costs	—	3,658	909	2,749	0.03
Derivative losses	6,085	6,085	1,518	4,567	0.05
Other adjustments	(43)	(43)	955	(997)	(0.01)
Total adjustments	(16,227)	(12,569)	(2,053)	(10,681)	\$ (0.10)
Adjusted	213,421	180,751	44,859	137,638	\$ 1.40

\*Due to rounding individual items may not sum across

**For the three-month period ended July 3, 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	\$ 197,476	\$ 172,638	\$ 44,599	\$ 131,672	\$ 1.33
Acquisition/Divestiture-related costs	12,281	12,281	3,009	9,272	0.09
Changes in LIFO inventory reserves	6,340	6,340	1,563	4,777	0.05
Amortization of acquisition intangibles	20,871	20,871	5,099	15,772	0.16
Restructuring/Asset impairment charges	10,563	10,563	842	9,760	0.10
Non-operating pension costs	—	1,677	461	1,216	0.01
Derivative gains	2,802	2,802	718	2,084	0.02
Other adjustments	(182)	(318)	423	(741)	—
Total adjustments <sup>1</sup>	52,675	54,216	12,115	42,140	\$ 0.43
Adjusted	250,151	226,854	56,714	173,812	\$ 1.76

\*Due to rounding individual items may not sum across

<sup>1</sup>The difference between GAAP Gross Profit of \$387,001 and Adjusted Gross Profit of \$401,496 is attributable to the “LIFO reserve change” shown above and acquisition-related costs of \$8,155 related to the partial amortization of the fair value step-up of finished goods inventory for Metal Packaging during the three-month period ended July 3, 2022. The financial measure titled “SG&A Expenses, net of Other Income” on the schedule “P&L Summary (Adjusted) 2nd Quarter: 2023 Vs. 2022” is the sum of the GAAP measures of “Selling, general and administrative expenses” and “Restructuring/Asset impairment charges,” \$189,525, adjusted for the remaining items above, for an Adjusted total of \$151,346.

**For the six-month period ended July 2, 2023**

<i>Dollars in thousands, except per share data</i>	<b>Operating Profit</b>	<b>Income Before Income Taxes</b>	<b>Provision for Income Taxes</b>	<b>Net Income Attributable to Sonoco</b>	<b>Diluted EPS</b>
As Reported	\$ 417,507	\$ 345,497	\$ 87,652	\$ 262,968	\$ 2.66
Acquisition/Divestiture-related costs	9,720	9,720	2,270	7,450	0.08
Changes in LIFO inventory reserves	(7,000)	(7,000)	(1,749)	(5,252)	(0.05)
Amortization of acquisition intangibles	41,703	41,703	10,119	31,584	0.32
Restructuring/Asset impairment charges	34,871	34,871	7,959	26,683	0.27
Gain on divestiture of business and other assets	(79,381)	(79,381)	(18,947)	(60,434)	(0.61)
Non-operating pension costs	—	7,000	1,737	5,263	0.05
Net loss from other derivatives	1,797	1,797	448	1,348	0.01
Other adjustments	5,144	5,144	1,167	3,979	0.04
Total adjustments <sup>1</sup>	\$ 6,854	\$ 13,854	\$ 3,004	\$ 10,621	\$ 0.11
Adjusted	\$ 424,361	\$ 359,351	\$ 90,656	\$ 273,589	\$ 2.77

*Due to rounding, individual items may not sum appropriately.*

<sup>1</sup>The difference between GAAP Gross Profit of \$731,746 and Adjusted Gross Profit of \$724,746 is attributable to “Changes in LIFO inventory reserves” shown above. The financial measure titled “SG&A Expenses, net of Other Income” on the schedule “P&L Summary (Adjusted) 2nd Quarter: 2023 Vs. 2022” is the sum of the GAAP measures of “Selling, general and administrative expenses,” “Restructuring/Asset impairment charges,” and “Gain on divestiture of business and other assets,” \$314,239, adjusted for the remaining items above, for an Adjusted total of \$300,387.

**For the six-month period ended July 3, 2022**

<i>Dollars in thousands, except per share data</i>	<b>Operating Profit</b>	<b>Income Before Income Taxes</b>	<b>Provision for Income Taxes</b>	<b>Net Income Attributable to Sonoco</b>	<b>Diluted EPS</b>
As Reported	\$ 366,538	\$ 321,310	\$ 79,888	\$ 247,005	\$ 2.50
Acquisition/Divestiture-related costs	60,633	60,633	14,764	45,869	0.47
Changes in LIFO inventory reserves	25,390	25,390	6,396	18,994	0.19
Amortization of acquisition intangibles	39,671	39,671	9,728	29,942	0.30
Restructuring/Asset impairment charges	22,705	22,705	2,477	20,329	0.21
Non-operating pension costs	—	3,002	844	2,157	0.02
Net gain from other derivatives	(3,795)	(3,795)	(955)	(2,838)	(0.03)
Other adjustments	(198)	(334)	4,619	(4,953)	(0.05)
Total adjustments <sup>1</sup>	\$ 144,406	\$ 147,272	\$ 37,873	\$ 109,500	\$ 1.11
Adjusted	\$ 510,944	\$ 468,582	\$ 117,761	\$ 356,505	\$ 3.61

*Due to rounding, individual items may not sum appropriately.*

<sup>1</sup>The difference between GAAP Gross Profit of \$758,566 and Adjusted Gross Profit of \$817,111 is attributable to “Changes in LIFO inventory reserves” shown above and acquisition-related costs of \$33,155 related to the partial amortization of the fair value step-up of finished goods inventory for Metal Packaging during the six-month period ended July 3, 2022. The financial measure titled “SG&A Expenses, net of Other Income” on the schedule “P&L Summary (Adjusted) 2nd Quarter: 2023 Vs. 2022” is the sum of the GAAP measures of “Selling, general and administrative expenses” and “Restructuring/Asset impairment charges,” \$392,028, adjusted for the remaining items above, for an Adjusted total of \$306,169.

## **Adjusted EBITDA and Adjusted EBITDA Margin**

<b>EBITDA Reconciliation</b>	<b>Three Months Ended</b>		
<i>Dollars in thousands</i>	<b>July 2, 2023</b>	<b>April 2, 2023</b>	<b>July 3, 2022</b>
Net income attributable to Sonoco	\$ 114,649	\$ 148,319	\$ 131,672
Adjustments			
Interest expense	34,284	34,232	23,947
Interest income	(1,944)	(1,562)	(786)
Provision for income taxes	40,740	46,912	44,599
Depreciation, depletion, and amortization	81,679	82,137	78,629
Non-operating pension costs	3,342	3,658	1,677
Net (loss)/income attributable to noncontrolling interests	100	(55)	95
Restructuring/Asset impairment charges	6,057	28,814	10,563
Changes in LIFO inventory reserves	(1,575)	(5,425)	6,340
Gain from divestiture of business and sale of other assets	(7,371)	(72,010)	—
Acquisition/Divestiture related costs	4,532	5,188	12,281
Net loss/(gain) from other derivatives	(4,288)	6,085	2,802
Other non-GAAP adjustments	5,187	(43)	(182)
<b>Adjusted EBITDA</b>	<b>\$ 275,392</b>	<b>\$ 276,250</b>	<b>\$ 311,637</b>
Net Sales	\$ 1,705,290	\$ 1,729,783	\$ 1,913,332
Adjusted EBITDA Margin	16.1 %	16.0 %	16.3 %

## **Guidance**

GAAP EPS guidance for the third quarter and full-year 2023 are not provided due to the likely occurrence of one or more of the following, the timing and magnitude of which we are unable to reliably forecast without unreasonable efforts: restructuring costs and restructuring-related impairment charges, acquisition/divestiture-related costs, gains or losses on the sale of businesses or other assets, and the income tax effects of these items and/or other income tax-related events. These items could have a significant impact on the Company's future GAAP financial results. Accordingly, reconciliations of Adjusted EBITDA and Adjusted EPS guidance are not provided.

## **Free Cash Flow**

The Company uses the non-GAAP financial measure of “free cash flow,” which it defines as cash flow from operations minus net capital expenditures. Net capital expenditures are defined as capital expenditures minus proceeds from the disposition of capital assets. Free cash flow may not represent the amount of cash flow available for general discretionary use because it excludes non-discretionary expenditures, such as mandatory debt repayments and required settlements of recorded and/or contingent liabilities not reflected in cash flow from operations.

<b>FREE CASH FLOW</b>	<b>Three Months Ended</b>	
	<u>July 2, 2023</u>	<u>July 3, 2022</u>
Net cash provided by operating activities	\$ 250,581	\$ 183,405
Purchase of property, plant and equipment, net	(77,841)	(76,795)
Free Cash Flow	<u>\$ 172,740</u>	<u>\$ 106,610</u>

<b>FREE CASH FLOW</b>	<b>Six Months Ended</b>	
	<u>July 2, 2023</u>	<u>July 3, 2022</u>
Net cash provided by operating activities	\$ 348,583	\$ 184,465
Purchase of property, plant and equipment, net	(89,837)	(144,119)
Free Cash Flow	<u>\$ 258,746</u>	<u>\$ 40,346</u>

<b>FREE CASH FLOW</b>	<b>Year Ended</b>	
	<u>Estimated Low</u>	<u>Estimated High</u>
Net cash provided by operating activities	December 31, 2023 \$ 925,000	December 31, 2023 \$ 975,000
Purchase of property, plant and equipment, net	(305,000)	(255,000)
Free Cash Flow	<u>\$ 620,000</u>	<u>\$ 720,000</u>