



# SONOCO

## SONOCO FIRST QUARTER 2023

Earnings Presentation | April 2023

# Forward-Looking Statements / Non-GAAP Financial Measures

Statements in this presentation and the accompanying oral commentary (the “presentation”) that are not historical in nature may constitute “forward-looking statements” within the meaning of Section 22E of the Securities Exchange Act of 1934, as amended. Words such as “anticipate,” “assume,” “believe,” “committed,” “consider,” “could,” “estimate,” “expect,” “forecast,” “future,” “goal,” “guidance,” “intend,” “may,” “might,” “objective,” “opportunity,” “outlook,” “plan,” “potential,” “project,” “see,” “should,” “strategy,” “target,” “will,” “would,” or the negative thereof, and similar expressions identify forward-looking statements. Forward-looking statements in this presentation include but are not limited to statements regarding the Company’s future operating and financial performance, including full-year 2023 and second quarter 2023 outlook; the Company’s segment outlook, including with respect to volumes and demand, pricing, impacts of raw material and labor supply and costs, productivity, capital investments and inflation; the Company’s ability to navigate volatility and macroeconomic volume trends; the Company’s ability to maintain or improve productivity and price-cost spread; the Company’s capital allocation priorities and its ability to identify and execute on high-return investments; the Company’s ability to drive growth and profitability; the Company’s ability to maintain investment grade credit ratings; the Company’s ability to create long-term value and returns for shareholders and to return cash to shareholders, including its ability to increase its dividend; the amount and timing of future dividends or share repurchases; the Company’s portfolio management and mergers and acquisitions strategies and expected benefits therefrom, including with respect to margin expansion, cyclicity and earnings; momentum and opportunities relating to the Company’s operating model and excellence programs and expected benefits therefrom; and the Company’s environmental, social and governance and sustainability strategy and expected benefits therefrom. Such forward-looking statements are based on current expectations, estimates and projections about the Company’s industry, management’s beliefs and certain assumptions made by management. Such information includes, without limitation, discussions as to guidance and other estimates, perceived opportunities, expectations, beliefs, plans, strategies, goals and objectives concerning the Company’s future financial and operating performance. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. Such risks, uncertainties and assumptions include, without limitation, those related to the Company’s ability to achieve the benefits it expects from acquisitions; the Company’s ability to execute on its strategy, including with respect to mergers and acquisitions, productivity and cost management, portfolio management, restructuring and capital expenditures, and achieve the benefits it expects therefrom; the operation of new manufacturing capabilities; assumptions regarding and the Company’s ability to achieve anticipated cost and energy savings; the availability and pricing of raw materials, energy and transportation, including the impact of potential changes in tariffs and escalating trade wars, and the Company’s ability to pass raw material, energy and transportation price increases and surcharges through to customers or otherwise manage these pricing risks; the effects of the COVID-19 pandemic on the Company’s results of operations, financial condition, value of assets, liquidity, prospects and growth, and on the industries in which it operates and that it serves; the costs of labor; the effects of inflation, fluctuations in consumer demand and other macroeconomic factors on the Company and the industries in which it operates and that it serves; the Company’s ability to meet its goals relating to sustainability and reduction of greenhouse gas emissions; the Company’s ability to return cash to shareholders and create long-term value; and the other risks, uncertainties and assumptions discussed in the Company’s filings with the Securities and Exchange Commission, including its most recent reports on Forms 10-K and 10-Q, particularly under the headings “Forward-Looking Statements” and “Risk Factors.” The Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur.

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, and Non-GAAP Reconciliations for the Q1 2023 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



# Q1 2023 Results Summary

REVENUE

**\$1.73B**

-2.3% y/y

Adjusted  
EBITDA

**\$276M**

16% Margin

Adjusted  
NET INCOME

**\$138M**

8% Margin

Adjusted  
EARNINGS PER SHARE\*

**\$1.40**

High End of Guidance

## HIGHLIGHTS

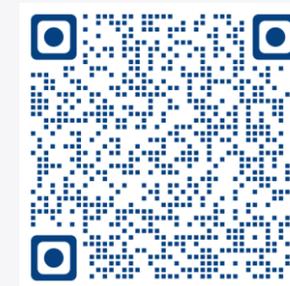
- Solid execution by the team to start the year
- Commercial excellence and improving productivity underpin performance
- Overall environment remains challenging; teams continuing to execute well
- Continuing to invest in high return investments to capture growth and efficiency opportunities
- Resilient portfolio dynamics and execution continues into 2023

# Corporate Responsibility Report – Released April 2023



## 2022 ESG/Sustainability Progress Highlights

- Updated report prepared in reference to GRI, TCFD, and SASB standards
- Details progress to 2030 targets in line with the Science Based Targets initiative
- Joining the United Nations (UN) Global Compact to advance support for the UN’s Sustainable Development Goals and Ten Principles Compact
- Discontinued the use of virgin pulp in mill operations in 2022; now 100% recycled fiber
- Increasing diversity in the workplace: 32% of new hires in the U.S. were women and 42% belonged to a minority group
- Spending over \$240M annually with diverse suppliers in 2022
- Further expanding our EnviroSense portfolio of sustainable products



SCAN TO VIEW

A flag with the SONOCO logo and name is flying on a tall pole against a blue sky with light clouds. The background of the slide is a dark blue gradient with a faint image of trees and a building.

# Financial Results

---

**Rob Dillard**  
Chief Financial Officer



# Q1-23 Consolidated Financial Results

	Q1-22	Q4-22	Q1-23	YoY % Change
<b>Net Sales (\$M)</b>	\$1,771	\$1,676	<b>\$1,730</b>	(2%)
<b>Adjusted Operating Profit (\$M)</b>	\$261	\$184	<b>\$213</b>	(18%)
<b>Adjusted Operating Profit Margin</b>	14.7%	11.0%	<b>12.3%</b>	
<b>Adjusted EBITDA (\$M)</b>	\$317	\$246	<b>\$276</b>	(13%)
<b>Adjusted EBITDA Margin</b>	17.9%	14.7%	<b>16.0%</b>	
<b>Adjusted EPS</b>	\$1.85	\$1.27	<b>\$1.40</b>	(25%)

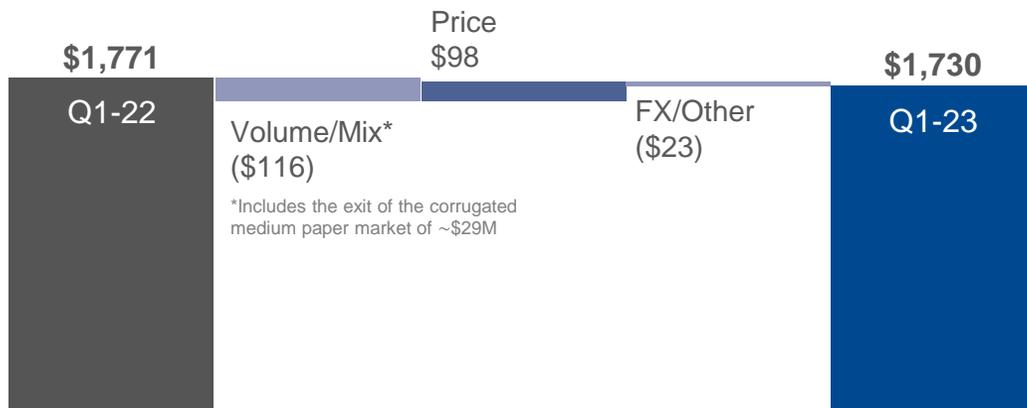
## Performance Summary

- Overall consumer sales as expected; stability in Rigid Paper Containers and Flexibles versus weakness in Metal (aerosol)
- Industrial sales remain challenged; profit results ahead of expectations from strategic pricing and lower inflationary costs in Europe
- Continued strength in pricing performance and improving productivity

# Q1-23 Performance Review

## Sales Bridge (Year-over-Year)

(Dollars in millions)

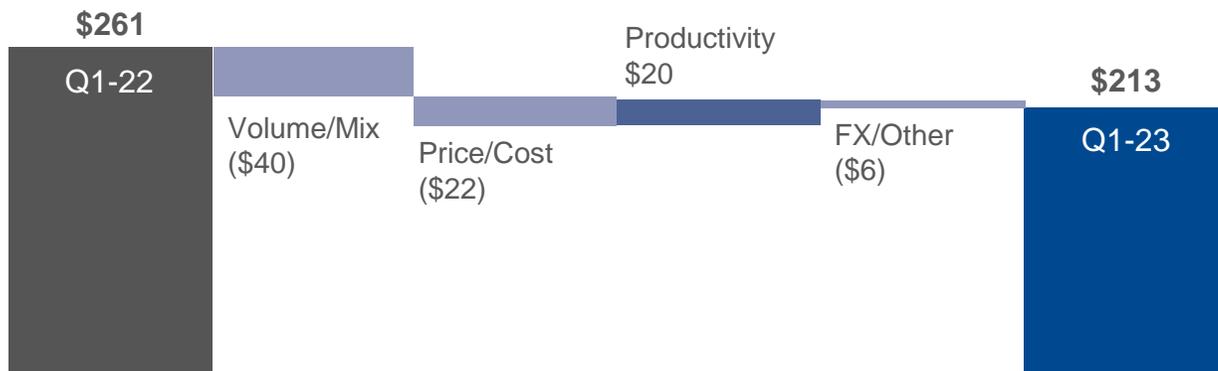


## Sales Drivers

- Volume/Mix: Industrial was down 13% on a year-over-year basis
- Price: Strategic pricing contributed positively across all segments
- FX/Other: Impacted negatively from a strong dollar

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

(Dollars in millions)



## Profit Drivers

- Volume/Mix: Lower in Industrials and aerosols
- Price/Cost: Negative from Consumer metal price overlap
- Productivity: Positive results in Consumer and All Other segments offset negative productivity in Industrial
- FX/Other: FX headwinds and other one-time items

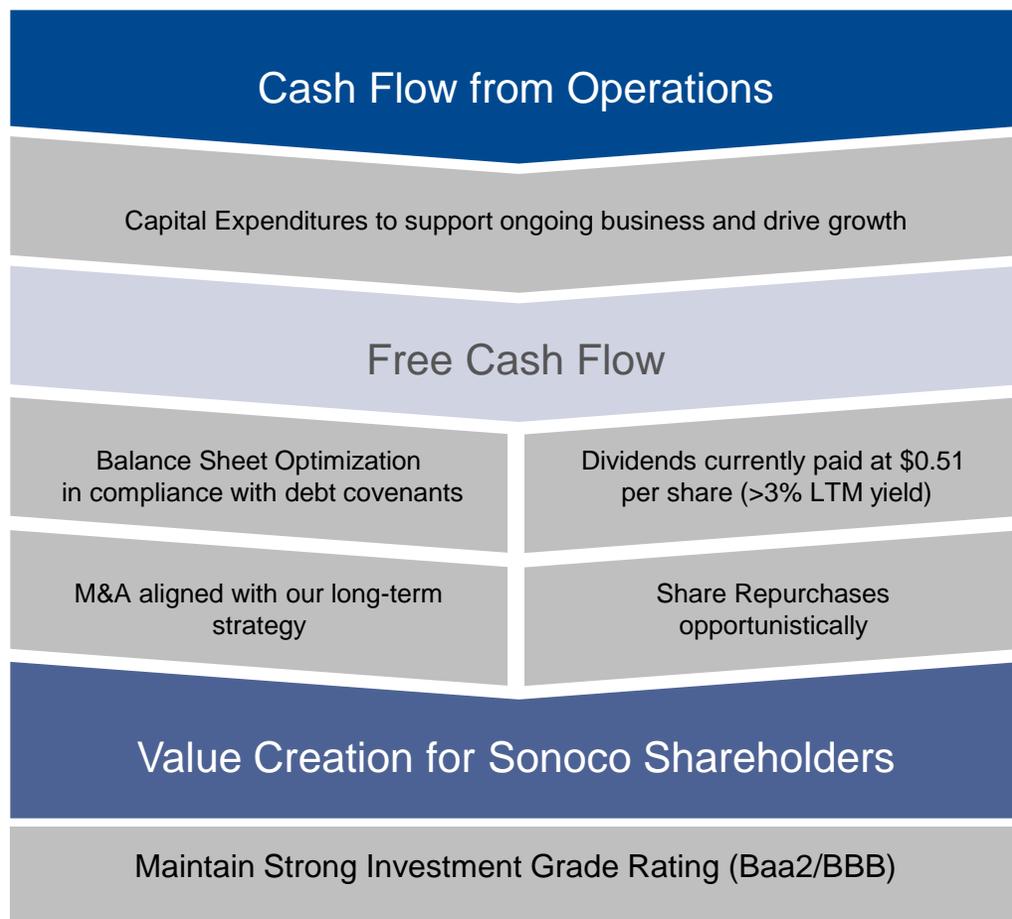
# Q1-23 Segment Results

	Net Sales		Segment Operating Profit		Operating Profit as % of Sales		OP Bridge Drivers (Y/Y)
	\$M	Y/Y Change	\$M	Y/Y Change	%	Y/Y Change	
<b>CONSUMER</b>	<b>\$909</b>	5%	<b>\$92</b>	(47%)	<b>10.1%</b>	(990 bps)	<ul style="list-style-type: none"> <li>• Volumes/mix down primarily driven by Metal Packaging (aerosol)</li> <li>• Expected price/cost headwind due to prior year metal price overlap</li> <li>• Strong performance in productivity</li> </ul>
<b>INDUSTRIAL</b>	<b>\$616</b>	(12%)	<b>\$94</b>	30%	<b>15.3%</b>	493 bps	<ul style="list-style-type: none"> <li>• Lower volumes, as expected, in mills and converting operations due to lack of demand recovery</li> <li>• Positive price/cost more than offset volume declines</li> </ul>
<b>ALL OTHER</b>	<b>\$205</b>	0%	<b>\$27</b>	88%	<b>13.3%</b>	618 bps	<ul style="list-style-type: none"> <li>• Volume declines offset by positive price/cost</li> <li>• Solid start to the year in productivity</li> </ul>
<b>TOTAL</b>	<b>\$1,730</b>	(2%)	<b>\$213</b>	(18%)	<b>12.3%</b>	(239 bps)	

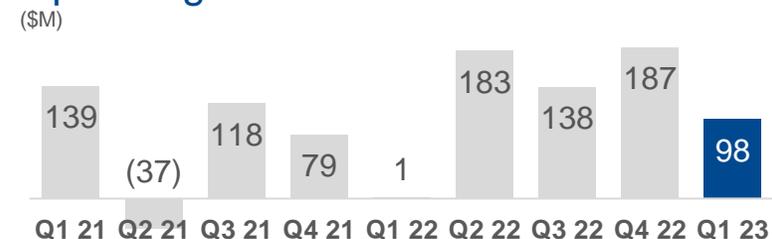
# Capital Allocation

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

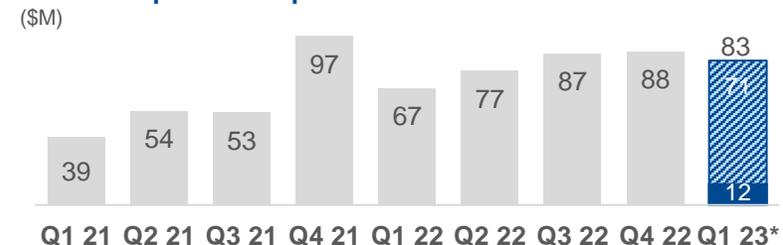
## Capital Allocation Priorities



## Operating Cash Flow

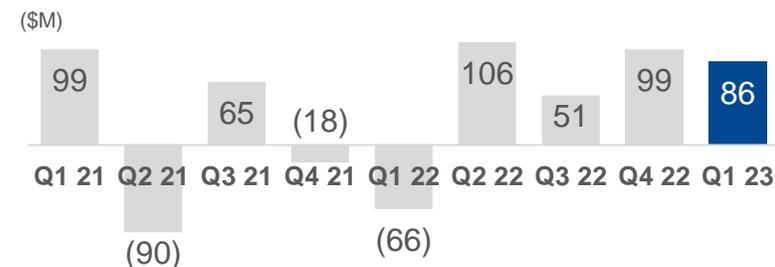


## Net Capital Expenditures



\*Q1-23 excludes the proceeds of the sale of Forest Products (\$71M)

## Free Cash Flow



# 2023 Revised Financial Outlook

\$ Millions (Unless Noted Otherwise)	2023 Guidance
<b>Adjusted EBITDA</b>	\$1,100 - \$1,150
<b>Adjusted EPS</b> (Excludes Amortization of Acquisition Intangibles)	\$5.70 - \$6.00
<b>Operating Cash Flow</b>	\$925 - \$975
<b>Free Cash Flow</b>	\$620 - \$720

## Summary

- Raising Full Year EPS guidance at the midpoint from \$5.80 to \$5.85
- Maintaining annual adjusted EBITDA guidance
- Maintaining annual operating cash flow guidance and increasing free cash flow guidance based on proceeds of the sales of Forest Products

**Q2-23 Adjusted EPS Guidance Range: \$1.45 - \$1.55**

## Q2-23 Segment Outlook

### CONSUMER PACKAGING

- Volumes improving sequentially across consumer packaging
- New product shipments higher in rigid paper containers and flexibles; closely monitoring potential softness in base business based on consumer spending
- Increase in metal packaging: food can volumes increasing into pack season and aerosol improving after inventory destocking
- Lessening impacts from steel price declines and other raw material costs
- Stabilization of raw material supply and pricing; labor costs increasing
- Continuing capital investments to expand capacity and Sustainable packaging for new programs in 2024 and beyond

### INDUSTRIAL PRODUCTS

- Continued softness in volumes globally
- Monitoring Europe and Asia volumes for signs of improvement
- Core industrial market demand (film cores, construction, textiles) remains soft
- Demand for protective whitegoods remains muted
- Price/cost benefits moderating with expected increases in raw material costs and steady/declining Tan Bending Chip benchmarks
- Inflationary impacts normalizing; labor costs increasing
- Productivity improvements remain challenging from volume deleveraging

### ALL OTHER BUSINESSES

- Stable demand across the portfolio
- Pricing actions across the business continue to drive value
- Managing non-material inflation and labor availability
- Modest resin price increases
- Improving productivity across the group



# Closing Remarks

---

**Howard Coker**  
President and  
Chief Executive Officer

# Looking Ahead: 2023 and Beyond



**Sonoco is a global leader in higher-value, sustainable packaging**



**We are continuing to transform the company through portfolio management and M&A**

Moving towards higher margins, with less cyclicity and improving earnings



**We have increasing opportunity to leverage our operating model to expand margins**

Gaining momentum in our excellence programs (operations, commercial, supply chain, standardization)



**We remain disciplined in capital allocation and expect to further invest to grow**

Continuing emphasis on high return investments, an increasing dividend, and an investment grade balance sheet



**We are committed to improving the lives of our teams, customers, and communities**

Aligning a strong ESG and Sustainability program with the core values of the company

# Appendix

---

---

## EPS Summary 2023 Vs. 2022

	First Quarter	
	2023	2022
<b>GAAP EPS</b>	\$ 1.50	\$ 1.17
<b>Addback for:</b>		
Acquisition related costs, net	0.04	0.37
LIFO Reserve change	(0.04)	0.14
Acquisition intangibles amortization expense	0.16	0.14
Restructuring, net	0.22	0.11
Gain on disposition	(0.56)	—
Non-operating pension costs	0.03	0.01
Other Items	0.05	(0.09)
<b>Adjusted EPS*</b>	<u>\$ 1.40</u>	<u>\$ 1.85</u>



# P&L Summary (Adjusted) 1st Quarter: 2023 Vs. 2022

(Dollars in millions)

	2023	2022	Better / (Worse)	
			\$	%
Net sales	\$ 1,730	\$ 1,771	\$ (41)	(2.3)%
Gross profit	369	416	(47)	(11.3)%
SG&A Expenses, net of Other Income	(156)	(155)	(1)	(0.6)%
Operating profit	\$ 213	\$ 261	\$ (48)	(18.4)%
Net interest	(33)	(19)	(14)	(73.7)%
Income before income taxes	\$ 180	\$ 242	\$ (62)	(25.6)%
Provision for income taxes	(45)	(61)	16	26.2%
Net Income, after tax	\$ 135	\$ 181	\$ (46)	(25.4)%
Equity in Affiliates and Minority Interest	2	2	—	— %
Net income attributable to Sonoco	\$ 137	\$ 183	\$ (46)	(25.1)%
EBITDA (with Equity in Affiliates)	\$ 276	\$ 317	(41)	(12.9)%
Gross profit %	21.3 %	23.5 %		
SG&A, net of Other Income %	9.0 %	8.8 %		
Operating profit %	12.3 %	14.7 %		
EBITDA (with Equity in Affiliates)%	16.0 %	17.9 %		
Effective tax rate	24.8 %	25.3 %		

# Balance Sheet

(Dollars in millions)	4/2/2023	12/31/2022	Change \$
Cash and cash equivalents	\$ 210	\$ 227	\$ (17)
Trade accounts receivable, net of allowances	903	863	40
Other receivables	90	99	(9)
Inventories	1,083	1,096	(13)
Prepaid expenses	77	76	1
<b>Current Assets</b>	<b>\$ 2,362</b>	<b>\$ 2,361</b>	<b>\$ 1</b>
Property, plant and equipment, net	1,718	1,710	8
Goodwill	1,680	1,675	5
Other intangible assets, net	718	742	(24)
Long-term Deferred Income Taxes	48	30	18
Right of Use Asset - Operating leases	289	297	(8)
Other assets	247	238	9
<b>Total Assets</b>	<b>\$ 7,061</b>	<b>\$ 7,053</b>	<b>\$ 8</b>
Payable to suppliers and others	1,129	1,225	(96)
Income taxes payable	33	17	16
Total debt	3,204	3,260	(56)
Pension and other postretirement benefits	118	120	(2)
Noncurrent operating lease liabilities	244	251	(7)
Deferred income taxes and other	128	107	21
Total equity	2,206	2,073	133
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 7,061</b>	<b>\$ 7,053</b>	<b>\$ 8</b>
Net debt / Total capital	57.3 %	59.1 %	

Net debt = Total debt minus cash and cash equivalents

Total capital = Net debt plus total equity