



# SONOCO

## SONOCO THIRD QUARTER 2023

Earnings Presentation | November 2023



# Forward-Looking Statements / Non-GAAP Financial Measures

Statements included herein that are not historical in nature, are intended to be, and are hereby identified as “forward-looking statements” for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. In addition, the Company and its representatives may from time to time make other oral or written statements that are also “forward-looking statements.” Words such as “anticipate,” “assume,” “believe,” “committed,” “consider,” “continue,” “could,” “estimate,” “expect,” “forecast,” “future,” “goal,” “guidance,” “intend,” “likely,” “may,” “might,” “objective,” “outlook,” “plan,” “potential,” “project,” “seek,” “strategy,” “will,” or the negative thereof, and similar expressions identify forward-looking statements.

Forward-looking statements in this communication include statements regarding, but not limited to: the Company’s future operating and financial performance, including fourth quarter and full-year 2023 outlook; the Company’s ability to manage variable and fixed expenses; opportunities for operational improvements; customer demand and volume outlook; the Company’s relationships with its customers; the Company’s ability to create near-term and long-term value and to generate cash flows and returns for shareholders; expected benefits from accretive acquisitions and divestitures; the effectiveness of the Company’s strategy; the effects of the macroeconomic environment and inflation on the Company and its customers; and outcomes of certain tax issues and tax rates. Such forward-looking statements are based on current expectations, estimates and projections about our 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 our 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. The risks, uncertainties and assumptions include, without limitation, those related to: the Company’s ability to achieve the benefits it expects from acquisitions and divestitures; the Company’s ability to execute on its strategy, including with respect to acquisitions, divestitures, cost management, restructuring and capital expenditures, and achieve the benefits it expects therefrom; the operation of new manufacturing capabilities; 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 costs of labor; the effects of inflation, fluctuations in consumer demand, volume softness, customer destocking 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 heading “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 Q3 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



# Q3 2023 Results Summary

REVENUE

**\$1.71B**

-10% y/y

Adjusted  
EBITDA

**\$280M**

16.4% Margin

Adjusted  
NET INCOME\*

**\$145M**

8.5% Margin

Adjusted  
EARNINGS PER SHARE\*

**\$1.46**

## HIGHLIGHTS

- Sales flat sequentially as expected; cost management and productivity better than expected
- Consumer volumes sequentially higher in most businesses; metal aerosol cans remain weak from destocking
- Industrial volumes as expected with continuing input cost pressure
- Closed the RTS Packaging and Chattanooga mill acquisition in September
- Strong adjusted EBITDA margin and operating cash flow results in the quarter

A flag with the SONOCO logo and name, flying on a tall pole against a blue sky with clouds.

# Financial Results

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**Rob Dillard**  
Chief Financial Officer



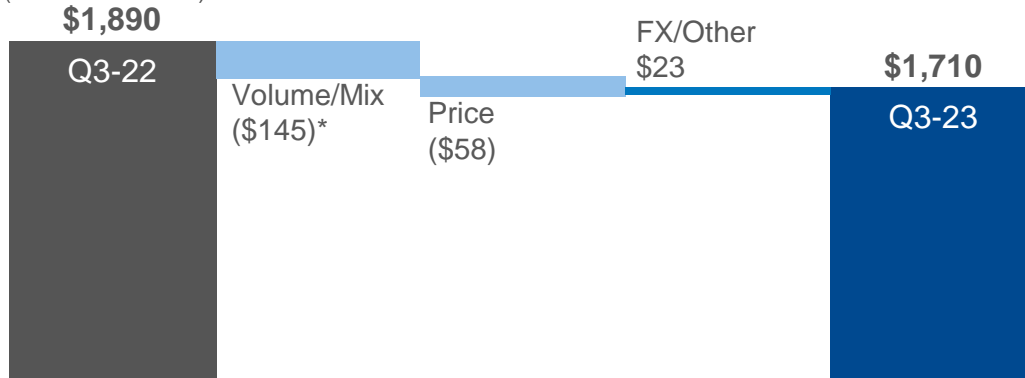
## Q3 - 2023 Financial Results

	Q3-22	Q2-23	Q3-23	YoY % Change
Net Sales (\$M)	\$1,890	\$1,705	\$1,710	(10%)
Adjusted Operating Profit (\$M)	\$225	\$211	\$213	(6%)
Adjusted Operating Profit Margin	11.9%	12.4%	12.4%	
Adjusted EBITDA (\$M)	\$288	\$275	\$280	(3%)
Adjusted EBITDA Margin	15.2%	16.1%	16.4%	
Adjusted EPS	\$1.60	\$1.38	\$1.46	(8%)
Guidance Range	\$1.35 - \$1.45	\$1.45 - \$1.55	\$1.25 - \$1.35	

# Q3-23 Performance Review

## Sales Bridge (Year-over-Year)

(Dollars in millions)



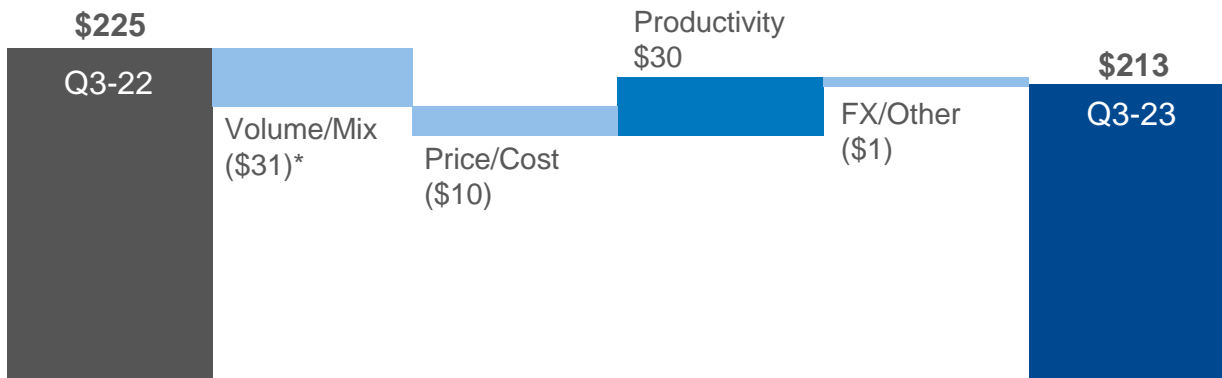
\* Includes Acquisitions and Divestitures

## Sales Drivers

- Volume/Mix: Consumer lower from inflationary pricing and destocking at retail and continued low Industrial demand
- Price: Unfavorable price performance driven by index-based cost increases and price decreases in resin and metals businesses

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

(Dollars in millions)



\* Includes Acquisitions and Divestitures

## Profit Drivers

- Volume/Mix: Lower unit volumes negatively impacted profitability
- Price/Cost: Negative with index-based price declines; continued inflation in fixed and variable costs including labor
- Productivity: Strong productivity mainly from the Consumer segment





# Q3-23 Segment Results



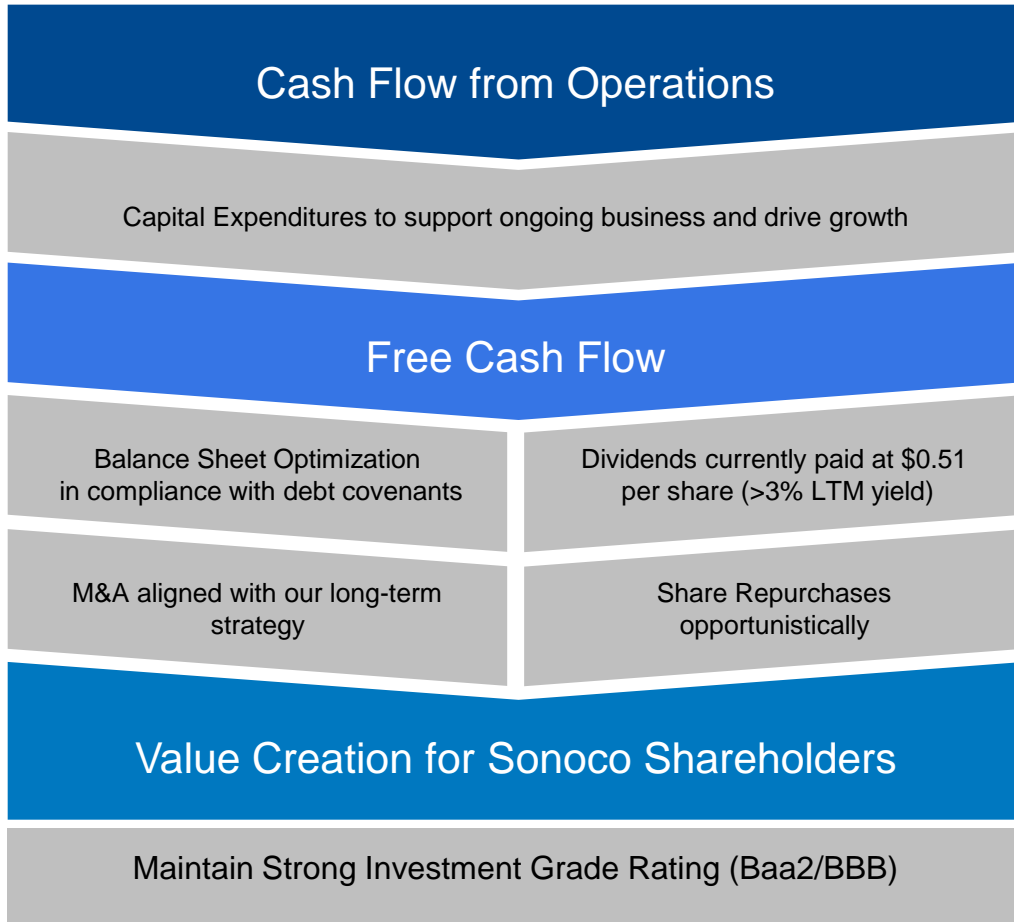
	Net Sales		Adjusted Operating Profit		Operating Profit as % of Sales		OP Bridge Drivers (Y/Y)
	\$MM	Y/Y Growth	\$MM	Y/Y Growth	%	Y/Y Growth	
<b>CONSUMER</b>	<b>\$938</b>	(9%)	<b>\$112</b>	(12%)	<b>11.9%</b>	(47 bps)	<ul style="list-style-type: none"> <li>Volumes down primarily driven by inflationary pricing and continued destocking</li> <li>Negative price/cost mainly driven by lower pricing in metal packaging and plastics food</li> <li>Positive productivity driven by supply chain / cost controls, partially offset by deleveraging</li> </ul>
<b>INDUSTRIAL</b>	<b>\$580</b>	(12%)	<b>\$75</b>	(8%)	<b>12.9%</b>	56 bps	<ul style="list-style-type: none"> <li>Lower volumes across all key markets and geographies</li> <li>Price/cost lower as paper indices declined and OCC and other input costs increased</li> <li>Profitability supported by positive productivity from mill utilization and lower operating expenses</li> </ul>
<b>ALL OTHER</b>	<b>\$192</b>	(3%)	<b>\$26</b>	66%	<b>13.3%</b>	553 bps	<ul style="list-style-type: none"> <li>Volumes down slightly across the business units</li> <li>Profitability higher from strong price / cost and productivity</li> </ul>
<b>TOTAL</b>	<b>\$1,710</b>	(10%)	<b>\$213</b>	(6%)	<b>12.4%</b>	52 bps	



# Capital Allocation

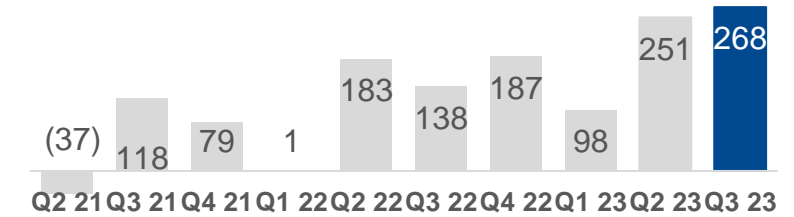
Capital Allocation Framework is Aligned to Business Strategy to Drive Value Creation for Shareholders

## Capital Allocation Priorities



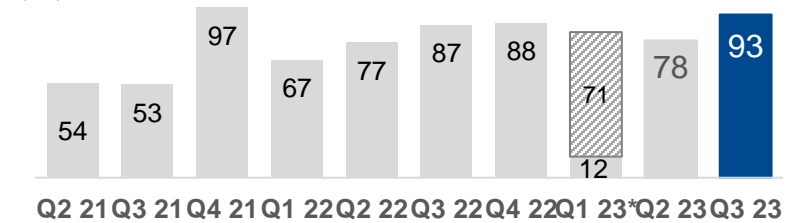
## Operating Cash Flow

(\$M)



## Net Capital Expenditures

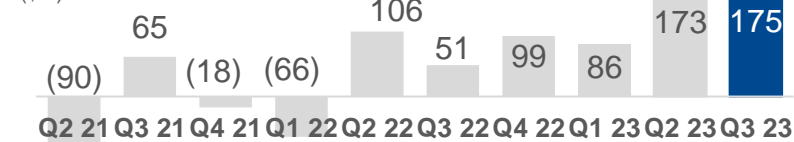
(\$M)



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

## Free Cash Flow

(\$M)





# 2023 Revised Financial Outlook

## Summary

\$ in Millions (except EPS)	2023 Guidance
Adjusted EBITDA	\$1,050 - \$1,080
Adjusted EPS	\$5.25 - \$5.40
Operating Cash Flow	\$850 - \$900
Free Cash Flow	\$600 - \$690

- Increased the low end of EPS range by \$0.15, raising the midpoint by ~8 cents. Price / Cost will become more challenged in Q4, with continued focus on productivity, and cost controls in a persistent low volume environment
- Operating Cash Flow midpoint reduced by \$75 million with greater visibility to year end Net Working Capital projections
- Free Cash Flow midpoint reduced by \$25 million due to Operating Cash Flow reduction partially offset by lower Capital Expense spending

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Q4-23 Adjusted EPS Guidance Range: **\$1.01 - \$1.16**

# Q4-23 Segment Outlook

## CONSUMER PACKAGING

- Continued stable volumes in rigid paper containers globally; benefit offset by negative price/cost
- Global expansion continues for future growth in emerging markets for rigid paper containers
- Seasonally lower volumes in flexibles and metal packaging
- Volume seasonality in rigid and thermoformed plastic food products

## INDUSTRIAL PAPER PACKAGING

- As expected, global industrial market demand for converted products (film cores, paper, textiles) and global paper products remains soft
- Price/cost benefits lower due to changes in indexed base price and cost inputs
- Productivity headwinds from volume deleveraging

## ALL OTHER BUSINESSES

- Lower volumes primarily from seasonality
- Productivity lower on volume softness
- Ongoing restructuring activities across footprint for further profit improvements

A SONOCO flag on a tall pole, waving in the wind against a blue sky with light clouds. The flag features the SONOCO logo and the word 'SONOCO' in blue.

# Closing Remarks

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**Howard Coker**  
President and  
Chief Executive Officer

# Looking Ahead: Continued Focus on Strategic Initiatives



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



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



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



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





YOU ARE INVITED TO

**SONOCO**  
INVESTOR DAY 2024

FEBRUARY 22, 2024  
9 AM - 1 PM EST

75 ROCKEFELLER PLAZA  
NEW YORK, NY 10111

**CONTACT US**  
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A vertical blue-tinted photograph of a flagpole with a flag featuring the SONOCO logo, set against a cloudy sky and trees.

# Appendix

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# EPS Summary 2023 Vs. 2022

	Third Quarter		Year To Date	
	2023	2022	2023	2022
<b>GAAP EPS</b>	<b>\$ 1.32</b>	<b>\$ 1.24</b>	<b>\$ 3.98</b>	<b>\$ 3.74</b>
<b>Addback for:</b>				
Acquisition and divestiture related costs, net	0.10	0.01	0.18	0.48
LIFO Reserve change	(0.02)	—	(0.08)	0.19
Acquisition intangibles amortization expense	0.16	0.16	0.48	0.46
Restructuring, net	0.14	0.16	0.41	0.37
Gain on disposition and other	(0.28)	—	(0.89)	—
Non-operating pension costs	0.03	0.01	0.08	0.03
Other Items	0.01	0.02	0.08	(0.06)
<b>Adjusted EPS*</b>	<b>\$ 1.46</b>	<b>\$ 1.60</b>	<b>\$ 4.24</b>	<b>\$ 5.21</b>

\*NOTE: Due to rounding individual items may not sum appropriately





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

(Dollars in millions)

	2023	2022	Better / (Worse)	
			\$	%
Net sales	\$ 1,710	\$ 1,890	\$ (180)	(9.5)%
Gross profit	361	367	(7)	(1.8)%
SG&A Expenses, net of Other Income	(148)	(142)	(5)	(3.8)%
Operating profit	\$ 213	\$ 225	\$ (12)	(5.4)%
Net interest	(30)	(26)	(4)	(15.1)%
Income before income taxes	\$ 183	\$ 199	\$ (16)	(8.0)%
Provision for income taxes	42	46	4	8.6 %
Net Income, after tax	\$ 141	\$ 153	\$ (12)	(7.8)%
Equity in Affiliates and Minority Interest	4	4	1	25.0 %
Net income attributable to Sonoco	\$ 145	\$ 157	\$ (12)	(7.6)%
EBITDA (with Equity in Affiliates)	\$ 280	\$ 288	(7)	(2.5)%
Gross profit %	21.1 %	19.4 %		
SG&A, net of Other Income %	8.7 %	7.5 %		
Operating profit %	12.4 %	11.9 %		
EBITDA (with Equity in Affiliates)%	16.4 %	15.2 %		
Effective tax rate	22.7 %	23.1 %		

NOTE: Due to rounding individual items may not sum down



# P&L Summary (Adjusted) Year to date: 2023 Vs. 2022

(Dollars in millions)

			Better / (Worse)	
	2023	2022	\$	%
Net sales	\$ 5,145	\$ 5,575	\$ (430)	(7.7)%
Gross profit	1,086	1,184	(98)	(8.3)%
SG&A Expenses, net of Other Income	(449)	(448)	(1)	(0.3)%
Operating Profit	\$ 637	\$ 736	\$ (99)	(13.4)%
Net interest	(95)	(68)	(27)	(38.4)%
Income before income taxes	\$ 542	\$ 668	\$ (125)	(18.7)%
Provision for income taxes	132	164	32	19.6 %
Net Income, after tax	\$ 410	\$ 504	\$ (94)	(18.7)%
Equity Affiliates and Minority Interest	8	10	(2)	(20.0)%
Net income attributable to Sonoco	\$ 418	\$ 514	\$ (96)	(18.8)%
EBITDA (with Equity in Affiliates)	\$ 832	\$ 917	\$ (85)	(9.4)%
Gross Profit %	21.1 %	21.2 %		
SG&A, Net of Other Income %	8.7 %	8.0 %		
Operating profit %	12.4 %	13.2 %		
EBITDA (with Equity in Affiliates)%	16.2 %	16.4 %		
Effective tax rate	24.4 %	24.5 %		

NOTE: Due to rounding individual items may not sum down



# Balance Sheet

(Dollars in millions)

	10/1/2023	12/31/2022	Change \$
Cash and cash equivalents	\$ 258	\$ 227	\$ 31
Trade accounts receivable, net of allowances	964	863	101
Other receivables	101	99	2
Inventories	826	1,096	(270)
Prepaid expenses	91	76	15
<b>Current Assets</b>	<b>\$ 2,240</b>	<b>\$ 2,361</b>	<b>\$ (121)</b>
Property, plant and equipment, net	1,826	1,710	116
Goodwill	1,762	1,675	87
Other intangible assets, net	874	742	132
Long-term deferred income taxes	31	30	1
Right of use asset - operating leases	312	297	15
Other assets	225	238	(13)
<b>Total Assets</b>	<b>\$ 7,270</b>	<b>\$ 7,053</b>	<b>\$ 217</b>
Payable to suppliers and others	1,116	1,225	(109)
Income taxes payable	26	17	9
<b>Total debt</b>	<b>3,255</b>	<b>3,222</b>	<b>33</b>
Pension and other postretirement benefits	132	120	12
Noncurrent operating lease liabilities	263	251	12
Deferred income taxes and other	139	145	(6)
<b>Total equity</b>	<b>2,339</b>	<b>2,073</b>	<b>266</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 7,270</b>	<b>\$ 7,053</b>	<b>\$ 217</b>
<b>Net debt / Total capital</b>	<b>56.2 %</b>	<b>59.1 %</b>	

Net debt = Total debt minus cash and cash equivalents

Total capital = Net debt plus total equity

NOTE: Due to rounding individual items may not sum down