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# Sonoco

## 3rd Quarter 2017 Results

Investor Presentation  
October 19, 2017



# Forward-Looking Statements / Non-GAAP Financial Measures

Today's 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.

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 [sonoco.com](http://sonoco.com) under Investor Relations, Webcasts & Presentations, Non-GAAP Reconciliations for Q3 2017 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 [sonoco.com](http://sonoco.com).

This presentation does not constitute the solicitation of the purchase or sale of any securities.



# EPS Summary

3rd Quarter: 2017 Vs. 2016

	3rd Quarter		Year To Date	
	2017	2016	2017	2016
Actual EPS	\$ 0.72	\$ 0.64	\$ 1.68	\$ 1.78
Addback for:				
Restructuring & Asset Impair, Net	—	0.07	0.08	0.30
Pension Settlement Expense	—	—	0.19	—
Transaction Costs / Other	0.04	0.01	0.12	0.03
Base EPS	\$ 0.76	\$ 0.72	\$ 2.07	\$ 2.11
Sonoco Guidance	\$0.71 to \$0.77			

# P&L Summary (Base)

3rd Quarter: 2017 Vs. 2016

(Dollars in thousands)

	2017	2016	Better / (Worse)	
			\$	%
Net sales	\$ 1,324,634	\$ 1,208,724	\$ 115,910	9.6%
Cost of sales	(1,073,761)	(973,351)	(100,410)	(10.3)%
Gross profit	250,873	235,373	15,500	6.6%
Selling, general and administrative expenses	(127,613)	(120,640)	(6,973)	(5.8)%
Income before interest and taxes (EBIT)	123,260	114,733	8,527	7.4%
Net interest	(13,647)	(12,437)	(1,210)	(9.7)%
Income before income taxes	109,613	102,296	7,317	7.2%
Provision for income taxes	(34,910)	(31,358)	(3,552)	(11.3)%
Income before equity in earnings of affiliates	74,703	70,938	3,765	5.3%
Equity in earnings of affiliates, net of tax	2,521	3,190	(669)	(21.0)%
Net income	77,224	74,128	3,096	4.2%
Noncontrolling interests	(620)	(617)	(3)	(0.5)%
Net income attributable to Sonoco	\$ 76,604	\$ 73,511	\$ 3,093	4.2%
EPS diluted	\$ 0.76	\$ 0.72	\$ 0.04	5.6%
Gross profit %	18.9%	19.5%		
SG&A %	9.6%	10.0%		
EBIT %	9.3%	9.5%		
Effective tax rate	31.8%	30.7%		



# Sales Bridge

3rd Quarter and YTD: 2017 Vs. 2016  
(Dollars in millions)

	<u>Q3-2017</u>		<u>YTD 2017</u>	
<b>2016 Sales</b>	<b>\$</b>	<b>1,209</b>	<b>\$</b>	<b>3,641</b>
<b>Volume / Mix</b>		<b>(1)</b>		<b>(52)</b>
<b>Price</b>		<b>58</b>		<b>141</b>
<b>Acq / Div</b>		<b>38</b>		<b>19</b>
<b>Exchange / Other</b>		<b>21</b>		<b>(11)</b>
<b>2017 Sales</b>	<b>\$</b>	<b>1,325</b>	<b>\$</b>	<b>3,738</b>

# Base EBIT Bridge

3rd Quarter and YTD: 2017 Vs. 2016

(Dollars in millions)

	Q3-2017	YTD 2017
<b>2016 Base EBIT</b>	<b>\$ 115</b>	<b>\$ 342</b>
<b>Volume / Mix</b>	<b>(1)</b>	<b>(16)</b>
<b>Price / Mat'l, Energy, Frt Costs</b>	<b>11</b>	<b>9</b>
<b>Acq / Div</b>	<b>0</b>	<b>(5)</b>
<b>Productivity</b>	<b>5</b>	<b>7</b>
<b>Other</b>	<b>(8)</b>	<b>(1)</b>
<b>Pension</b>	<b>1</b>	<b>(1)</b>
<b>2017 Base EBIT</b>	<b>\$ 123</b>	<b>\$ 335</b>

# Segment Analysis

3rd Quarter: 2017 Vs. 2016

(Dollars in thousands)

	NET SALES			BASE EBIT		
	2017	2016	% Chg	2017	2016	% Chg
Consumer Packaging	\$ 565,788	\$ 519,729	8.9%	\$ 67,869	\$ 63,761	6.4%
Display & Packaging	135,560	132,016	2.7%	1,965	5,153	(61.9)%
Paper & Ind Conv Prods	483,376	424,615	13.8%	42,154	33,239	26.8%
Protective Solutions	139,910	132,364	5.7%	11,272	12,580	(10.4)%
	<u>\$ 1,324,634</u>	<u>\$ 1,208,724</u>	<u>9.6%</u>	<u>\$ 123,260</u>	<u>\$ 114,733</u>	<u>7.4%</u>

	EBIT AS % OF SALES		MARGIN CHANGE
Consumer Packaging	12.0%	12.3%	(0.3)%
Display & Packaging	1.4%	3.9%	(2.5)%
Paper & Ind Conv Prods	8.7%	7.8%	0.9%
Protective Solutions	8.1%	9.5%	(1.4)%
	<u>9.3%</u>	<u>9.5%</u>	<u>(0.2)%</u>

# Earnings Guidance

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
2016 Base EPS	\$0.65	\$0.73	\$0.72	\$0.62	\$2.72
2017 Base EPS	\$0.59	\$0.71	\$0.76		
2017 Guidance*	\$0.55 - \$0.63	\$0.67 - \$0.73	\$0.71 - \$0.77	\$0.68 - \$0.74	\$2.75 - \$2.81

\* Including impact of acquisitions



# Cash Flow

Year to date: 2017 Vs. 2016  
(Dollars in thousands)

	Year To Date	
	2017	2016
<b>Net income</b>	\$ 171,397	\$ 182,886
Asset impairment charges / Losses on disposition of assets	2,319	21,966
Depreciation, depletion and amortization	159,130	156,542
Net pension and postretirement plan expenses	13,696	(5,781)
Changes in working capital	(56,552)	(72,800)
Changes in tax accounts	(4,012)	25,908
Other operating activity	(3,869)	39,956
<b>Operating cash flow</b>	\$ 282,109	\$ 348,677
Capital expenditures net of dispositions	(140,995)	(143,944)
Cash dividends	(114,368)	(109,821)
<b>Free cash flow</b>	\$ 26,746	\$ 94,912
Cost of acquisitions, net of cash acquired	\$ (383,358)	\$ (21,338)
Net debt proceeds / (Repayments)	338,137	(38,624)
Share repurchases	—	(58,943)

# Grow & Optimize



## Appendix

# P&L Summary (Base)

Year to date: 2017 Vs. 2016

(Dollars in thousands)

	2017	2016	Better / (Worse)	
			\$	%
Net sales	\$ 3,737,632	\$ 3,640,680	\$ 96,952	2.7%
Cost of sales	(3,030,662)	(2,918,041)	(112,621)	(3.9)%
Gross profit	706,970	722,639	(15,669)	(2.2)%
Selling, general and administrative expenses	(371,961)	(380,196)	8,235	2.2%
Income before interest and taxes (EBIT)	335,009	342,443	(7,434)	(2.2)%
Net interest	(38,497)	(39,768)	1,271	3.2%
Income before income taxes	296,512	302,675	(6,163)	(2.0)%
Provision for income taxes	(93,754)	(94,027)	273	0.3%
Income before equity in earnings of affiliates	202,758	208,648	(5,890)	(2.8)%
Equity in earnings of affiliates, net of tax	7,320	7,457	(137)	(1.8)%
Net income	210,078	216,105	(6,027)	(2.8)%
Noncontrolling interests	(1,762)	(1,403)	(359)	(25.6)%
Net income attributable to Sonoco	\$ 208,316	\$ 214,702	\$ (6,386)	(3.0)%
EPS diluted	\$ 2.07	\$ 2.11	\$ (0.04)	(1.9)%
Gross Profit %	18.9%	19.8%		
SG&A %	10.0%	10.4%		
EBIT %	9.0%	9.4%		
Effective tax rate	31.6%	31.1%		



# Segment Analysis

Year to date: 2017 Vs. 2016

(Dollars in thousands)

	NET SALES			SEGMENT OPERATING PROFIT		
	2017	2016	% Chg	2017	2016	% Chg
Consumer Packaging	\$ 1,569,231	\$ 1,558,074	0.7%	\$ 184,942	\$ 186,135	(0.6)%
Display & Packaging	365,807	407,157	(10.2)%	6,592	13,464	(51.0)%
Paper & Ind Conv Prods	1,395,075	1,281,031	8.9%	110,390	104,018	6.1%
Protective Solutions	407,519	394,418	3.3%	33,085	38,826	(14.8)%
	<u>\$ 3,737,632</u>	<u>\$ 3,640,680</u>	<u>2.7%</u>	<u>\$ 335,009</u>	<u>\$ 342,443</u>	<u>(2.2)%</u>

	SEGMENT OPERATING PROFIT AS % OF SALES	MARGIN CHANGE	
Consumer Packaging	11.8%	11.9%	(0.1)%
Display & Packaging	1.8%	3.3%	(1.5)%
Paper & Ind Conv Prods	7.9%	8.1%	(0.2)%
Protective Solutions	8.1%	9.8%	(1.7)%
	<u>9.0%</u>	<u>9.4%</u>	<u>(0.4)%</u>

# Balance Sheet

(Dollars in thousands)

	10/1/2017	12/31/2016	Change \$
Cash and cash equivalents	\$ 247,908	\$ 257,226	\$ (9,318)
Trade accounts receivable, net of allowances	751,445	625,411	126,034
Other receivables	51,229	43,553	7,676
Inventories	472,956	372,814	100,142
Prepaid expenses and deferred income taxes	51,787	49,764	2,023
<b>Current Assets</b>	<b>\$ 1,575,325</b>	<b>\$ 1,348,768</b>	<b>\$ 226,557</b>
Property, plant and equipment, net	1,182,384	1,060,017	122,367
Goodwill	1,240,439	1,092,215	148,224
Other intangible assets, net	342,316	224,958	117,358
Other assets	229,164	197,245	31,919
<b>Total Assets</b>	<b>\$ 4,569,628</b>	<b>\$ 3,923,203</b>	<b>\$ 646,425</b>
Payable to suppliers and others	854,321	751,827	102,494
Income taxes payable	10,931	18,744	(7,813)
<b>Total debt</b>	<b>1,426,107</b>	<b>1,052,743</b>	<b>373,364</b>
Pension and other postretirement benefits	388,492	447,339	(58,847)
Deferred income taxes and other	131,151	97,845	33,306
<b>Total equity</b>	<b>1,758,626</b>	<b>1,554,705</b>	<b>203,921</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 4,569,628</b>	<b>\$ 3,923,203</b>	<b>\$ 646,425</b>
<b>Net debt / Total capital</b>	<b>40.1%</b>	<b>33.8%</b>	

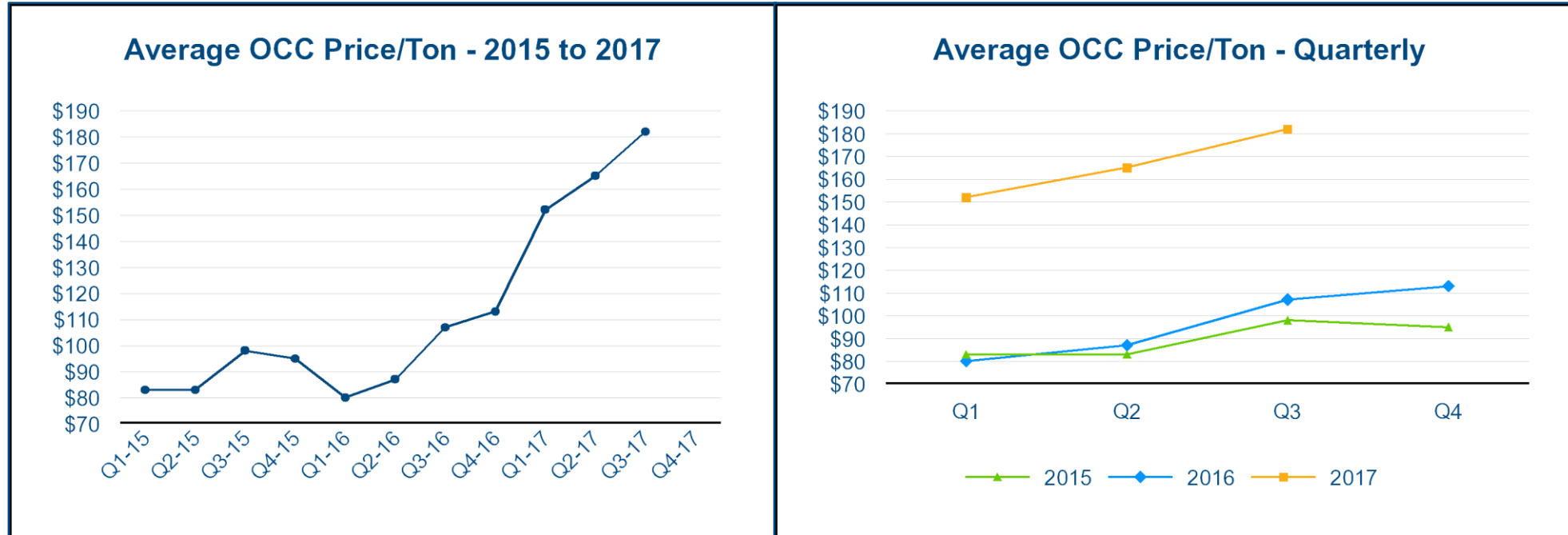
Net debt = Total debt minus cash and cash equivalents

Total capital = Net debt plus total equity



# OCC: Official Board Market

3rd Quarter: 2017 Vs. 2016 Vs. 2015  
(Price/Ton)



	1st Quarter				2nd Quarter				3rd Quarter				4th Quarter			
	J	F	M	Avg	A	M	J	Avg	J	A	S	Avg	O	N	D	Avg
2015	90	80	80	83	80	80	90	83	95	100	100	98	100	95	90	95
2016	80	80	80	80	80	85	95	87	100	110	110	107	110	110	120	113
2017	125	145	185	152	175	155	165	165	185	185	175	182	135			

