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# Sonoco Fourth Quarter and Full-Year 2017 Results

Investor Presentation

February 15, 2018



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.

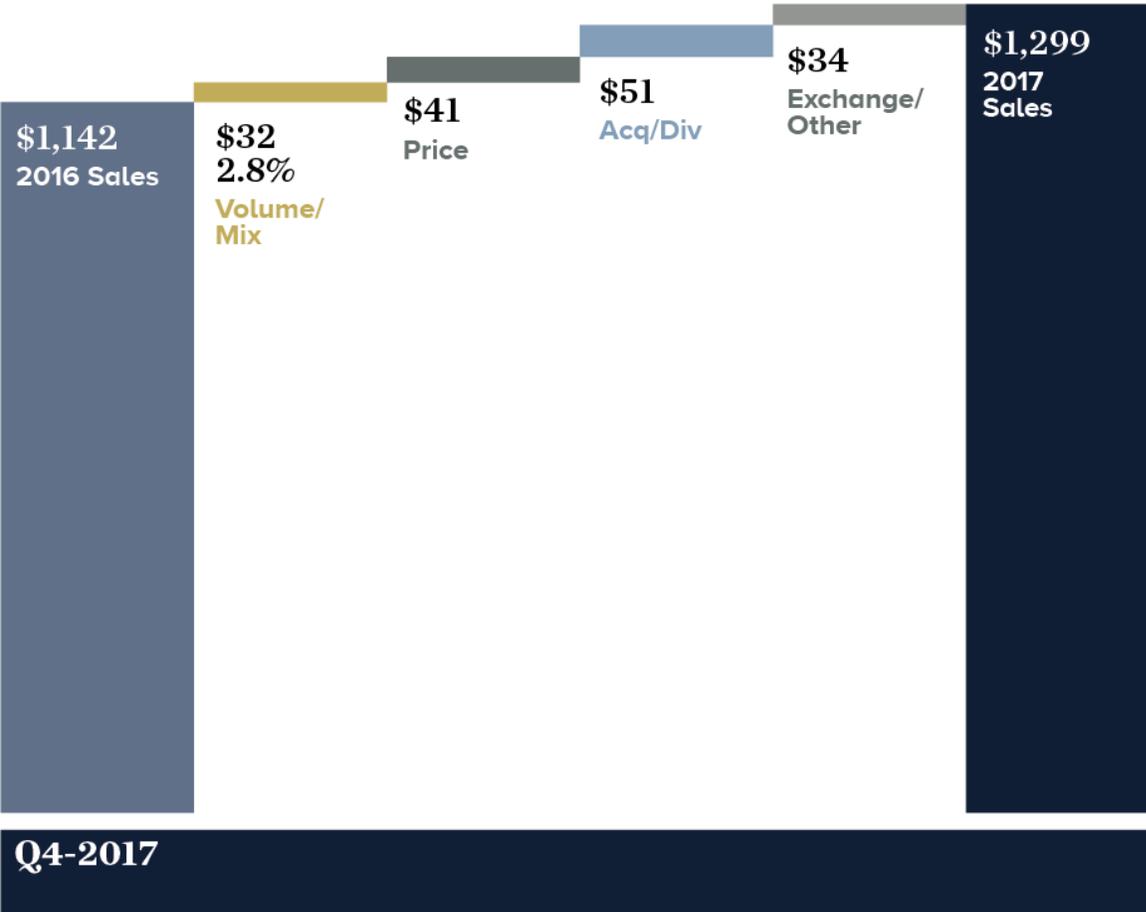
Information about the Company's use of non-GAAP financial measures, why management believes presentation of non-GAAP financial measures provides useful information to investors about the Company's financial condition and results of operations, and the purposes for which management uses non-GAAP financial measures is included in the Company's Annual Report and on the Company's website at [www.sonoco.com](http://www.sonoco.com) under Investor Relations, Webcasts & Presentations, Non-GAAP Reconciliations for Q4 2017 Earnings Presentation.

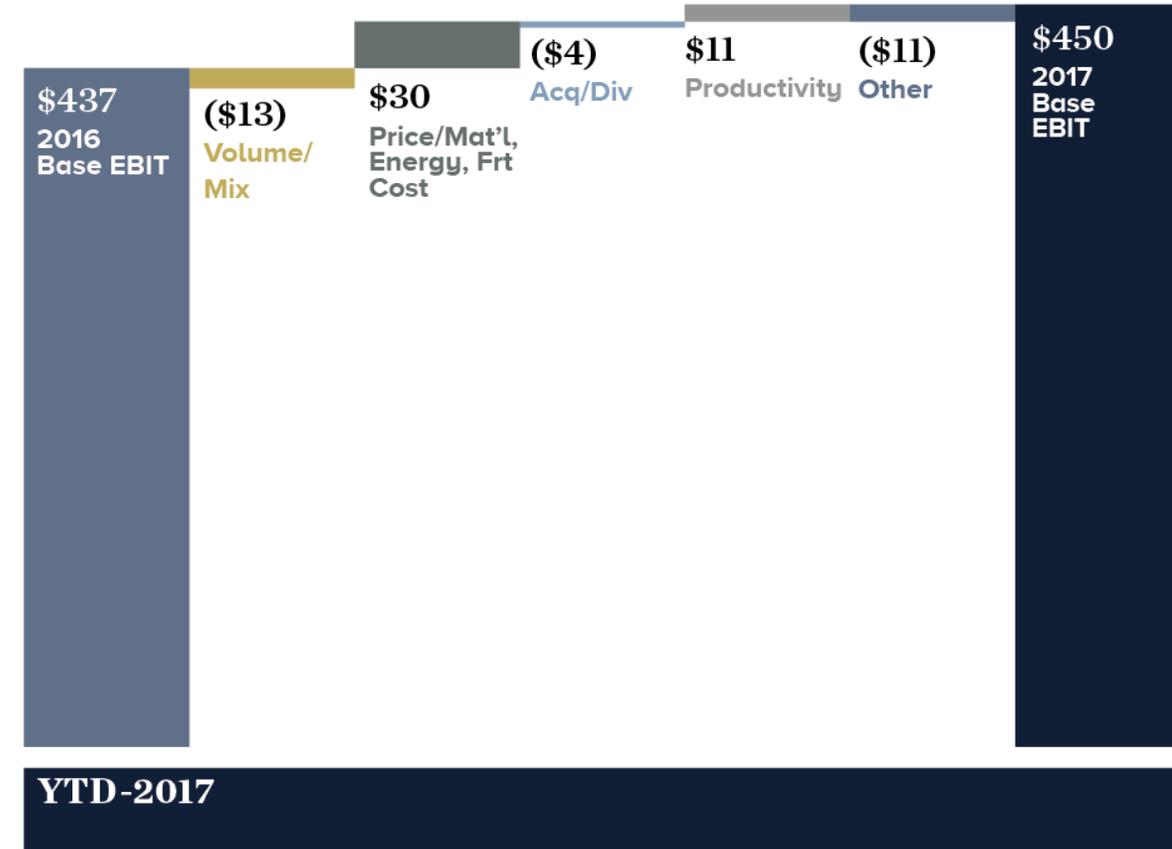
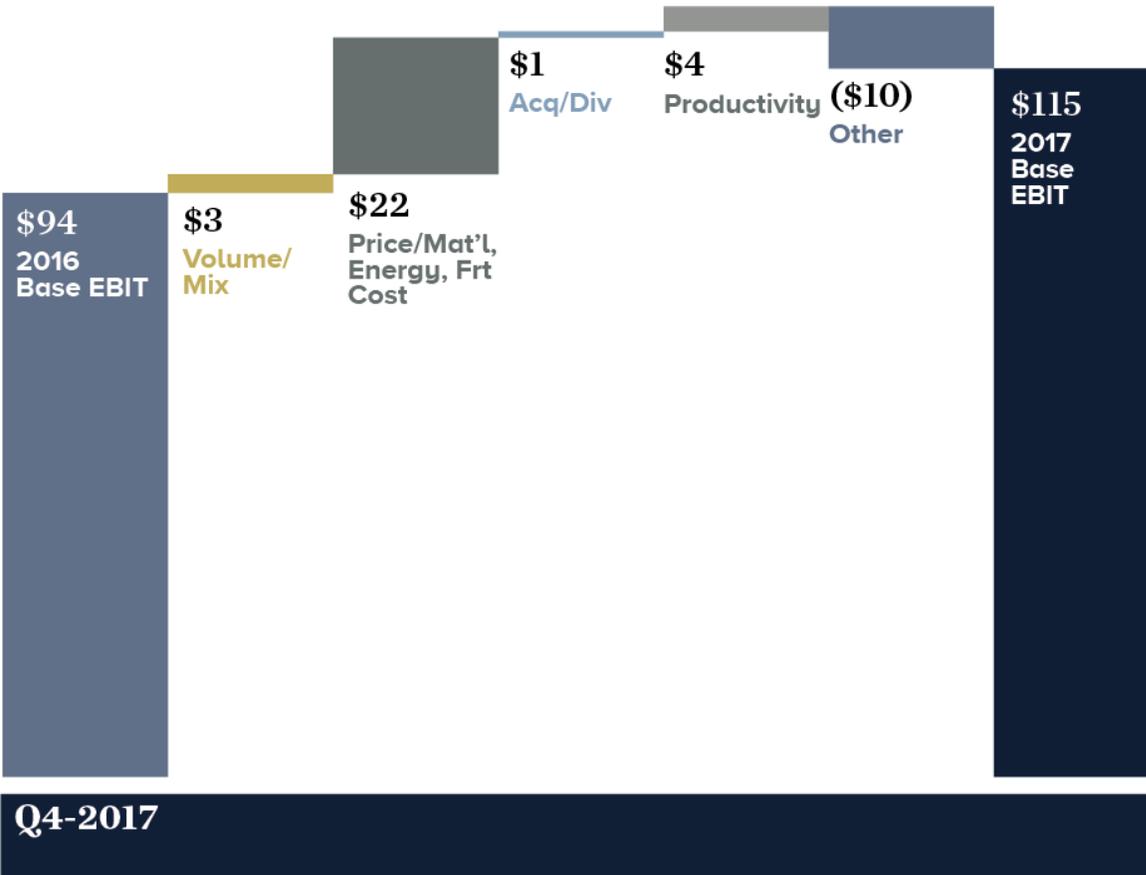
Pursuant to the requirements of Regulation G, the Company has provided definitions of the non-GAAP measures discussed during this presentation as well as reconciliations of those measures to the most closely related GAAP measure on its website at [sonoco.com](http://sonoco.com).

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

	4th Quarter		Year To Date	
	2017	2016	2017	2016
<b>Actual EPS</b>	\$ 0.06	\$ 1.04	\$ 1.74	\$ 2.81
<b>Addback for:</b>				
Restructuring & Asset Impair, Net	0.17	0.04	0.25	0.35
Blow Mold Disposition	—	(0.49)	—	(0.48)
Reversal of Fox River Reserve	—	0.01	—	0.01
Pension Settlement Expense	0.01	—	0.20	—
Acquisition / Divestiture Costs	0.01	0.01	0.10	0.03
Tax Reform on Deferred and AOCI	(0.25)	—	(0.25)	—
Tax Repatriation Toll Charge	0.76	—	0.76	—
Tax Rate Changes & Reserve Adjustments	(0.02)	0.01	—	0.01
Other	(0.02)	—	(0.01)	(0.01)
<b>Base EPS</b>	\$ 0.72	\$ 0.62	\$ 2.79	\$ 2.72

	2017	2016	Better / (Worse)	
			\$	%
Net sales	\$ 1,299,018	\$ 1,142,197	\$ 156,821	13.7%
Cost of sales	(1,056,598)	(927,410)	(129,188)	(13.9)%
Gross profit	242,420	214,787	27,633	12.9%
Selling, general and administrative expenses	(127,439)	(120,304)	(7,135)	(5.9)%
Income before interest and taxes (EBIT)	114,981	94,483	20,498	21.7%
Net interest	(14,248)	(11,789)	(2,459)	(20.9)%
Income before income taxes	100,733	82,694	18,039	21.8%
Provision for income taxes	(29,617)	(23,743)	(5,874)	(24.7)%
Income before equity in earnings of affiliates	71,116	58,951	12,165	20.6%
Equity in earnings of affiliates, net of tax	2,743	3,778	(1,035)	(27.4)%
Net income	73,859	62,729	11,130	17.7%
Noncontrolling interests	(411)	(205)	(206)	(100.0)%
Net income attributable to Sonoco	\$ 73,448	\$ 62,524	\$ 10,924	17.5%
EPS diluted	\$ 0.72	\$ 0.62	\$ 0.10	16.1%
Gross profit %	18.7%	18.8%		
SG&A %	9.8%	10.5%		
EBIT %	8.9%	8.3%		
Effective tax rate	29.4%	28.7%		





	NET SALES			BASE EBIT		
	2017	2016	% Chg	2017	2016	% Chg
Consumer Packaging	\$ 554,234	\$ 485,038	14.3%	\$ 65,957	\$ 54,790	20.4%
Display & Packaging	142,429	113,256	25.8%	(4,090)	1,333	(406.8)%
Paper & Ind Conv Prods	471,105	412,422	14.2%	44,078	25,660	71.8%
Protective Solutions	131,250	131,481	(0.2)%	9,036	12,700	(28.9)%
	<u>\$ 1,299,018</u>	<u>\$ 1,142,197</u>	<u>13.7%</u>	<u>\$ 114,981</u>	<u>\$ 94,483</u>	<u>21.7%</u>
				EBIT AS % OF SALES		MARGIN CHANGE
		Consumer Packaging		11.9%	11.3%	0.6%
		Display & Packaging		(2.9)%	1.2%	(4.1)%
		Paper & Ind Conv Prods		9.4%	6.2%	3.2%
		Protective Solutions		6.9%	9.7%	(2.8)%
				<u>8.9%</u>	<u>8.3%</u>	<u>0.6%</u>

## 4Q 2017 Impact

- One-time, net charge of approximately \$51.2 million
  - Estimated transition tax on deferred foreign earnings of \$76.9 million recognized in the quarter
  - Revaluation of deferred tax liabilities at lower rates partially offsets this impact by \$25.7 million

Note: Sonoco has not completed its accounting for the effects of the Tax Act; however, the Company believes the Tax Act's impact on its 2017 financial statements will be limited to the reported amounts of deferred tax assets and liabilities and the one-time transition tax on deferred foreign earnings. For certain of the Tax Act's provisions, the Company has made reasonable estimates reflected in the fourth-quarter financial statements as described above. In other cases, the Company has not been able to make a reasonable estimate due either to complexity or uncertain accounting treatment and continues to account for those items based on existing accounting under ASC 740, Income Taxes. However, the Company believes any adjustments remaining to be made upon the completion of its accounting will not have a material impact on the Company's financial position.

## 2018 Impact

- 2018 Effective Tax Rate estimate to be 26% to 27%
  - Decrease in U.S. Tax Rate from 35% to 21%
  - New tax provisions and reductions of previously allowed deductions partially offset benefit
  - Mid-point of Company's guidance reflects estimated 27% ETR
- Projecting approximately \$15 million reduction in cash taxes vs. 2017
- Evaluating repatriation of approximately \$240 million of offshore cash

	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	\$0.72	\$2.79
2018 Guidance	\$0.69 - \$0.75				\$3.16 - \$3.26

	Year To Date	
	2017	2016
<b>Net income*</b>	\$ 177,447	\$ 287,881
Asset impairment charges / Losses on disposition of assets	20,017	7,122
Depreciation, depletion and amortization	217,625	205,182
Net pension and postretirement plan expenses	(30,073)	(1,435)
Changes in working capital	(55,614)	(50,637)
Other operating activity	19,956	(49,434)
<b>Operating cash flow*</b>	\$ 349,358	\$ 398,679
Capital expenditures net of dispositions	(183,642)	(186,617)
Cash dividends	(153,137)	(146,364)
<b>Free cash flow*</b>	\$ 12,579	\$ 65,698
Proceeds from business disposition	\$ —	\$ 271,813
Cost of acquisitions, net of cash acquired	(383,725)	(88,632)
Net debt proceeds / (Repayments)	355,191	(65,125)
Share repurchases	(6,335)	(106,739)

\* 2016 Net Income, Operating Cash Flow and resulting Free Cash Flow include estimated cash tax payments and fees of \$64.4 million related to the sale of Blowmolding operations.

### Updated 2018 Guidance

Operating Cash Flow: \$560 million to \$580 million

Free Cash Flow: \$180 million to \$200 million

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>Change \$</u>
Cash and cash equivalents	\$ 254,912	\$ 257,226	\$ (2,314)
Trade accounts receivable, net of allowances	725,251	625,411	99,840
Other receivables	64,561	43,553	21,008
Inventories	474,063	372,814	101,249
Prepaid expenses and deferred income taxes	44,849	49,764	(4,915)
<b>Current Assets</b>	<b>\$ 1,563,636</b>	<b>\$ 1,348,768</b>	<b>\$ 214,868</b>
Property, plant and equipment, net	1,169,377	1,060,017	109,360
Goodwill	1,241,875	1,092,215	149,660
Other intangible assets, net	331,295	224,958	106,337
Other assets	251,538	197,245	54,293
<b>Total Assets</b>	<b>\$ 4,557,721</b>	<b>\$ 3,923,203</b>	<b>\$ 634,518</b>
Payable to suppliers and others	831,664	751,827	79,837
Income taxes payable	8,979	18,744	(9,765)
Total debt	1,447,329	1,052,743	394,586
Pension and other postretirement benefits	355,187	447,339	(92,152)
Deferred income taxes and other	184,502	97,845	86,657
Total equity	1,730,060	1,554,705	175,355
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 4,557,721</b>	<b>\$ 3,923,203</b>	<b>\$ 634,518</b>
Net debt / Total capital	<b>40.8%</b>	<b>33.8%</b>	
Net debt = Total debt minus cash and cash equivalents			
Total capital = Net debt plus total equity			

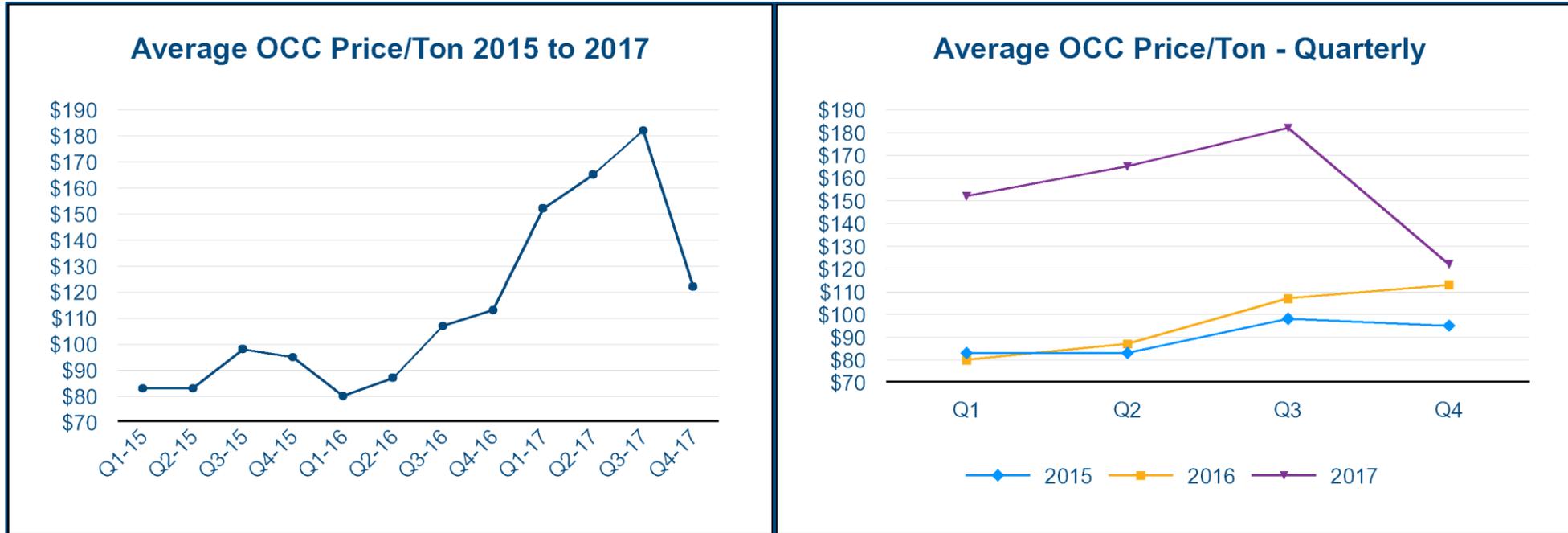
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Appendix



	2017	2016	Better / (Worse)	
			\$	%
Net sales	\$ 5,036,650	\$ 4,782,877	\$ 253,773	5.3%
Cost of sales	(4,087,260)	(3,845,451)	(241,809)	(6.3)%
Gross profit	949,390	937,426	11,964	1.3%
Selling, general and administrative expenses	(499,400)	(500,500)	1,100	0.2%
Income before interest and taxes (EBIT)	449,990	436,926	13,064	3.0%
Net interest	(52,745)	(51,557)	(1,188)	(2.3)%
Income before income taxes	397,245	385,369	11,876	3.1%
Provision for income taxes	(123,371)	(117,770)	(5,601)	(4.8)%
Income before equity in earnings of affiliates	273,874	267,599	6,275	2.3%
Equity in earnings of affiliates, net of tax	10,063	11,235	(1,172)	(10.4)%
Net income	283,937	278,834	5,103	1.8%
Noncontrolling interests	(2,173)	(1,608)	(565)	(35.1)%
Net income attributable to Sonoco	\$ 281,764	\$ 277,226	\$ 4,538	1.6%
EPS diluted	\$ 2.79	\$ 2.72	\$ 0.07	2.6%
Gross profit %	18.8%	19.6%		
SG&A %	9.9%	10.5%		
EBIT %	8.9%	9.1%		
Effective tax rate	31.1%	30.6%		

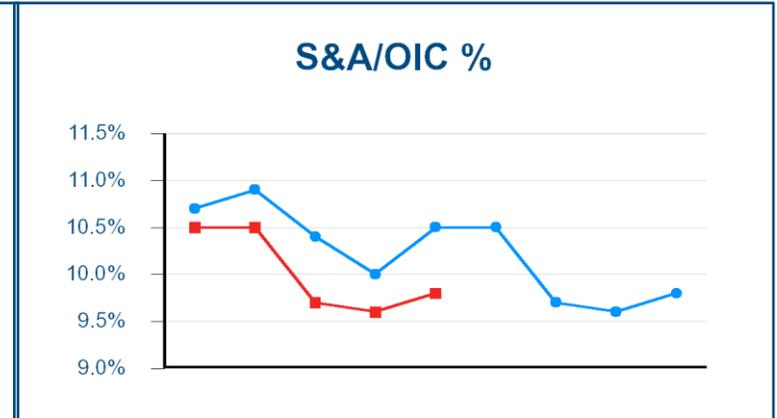
	NET SALES			SEGMENT OPERATING PROFIT			
	2017	2016	% Chg	2017	2016	% Chg	
Consumer Packaging	\$ 2,123,465	\$ 2,043,112	3.9%	\$ 250,899	\$ 240,925	4.1%	
Display & Packaging	508,236	520,413	(2.3)%	2,502	14,797	(83.1)%	
Paper & Ind Conv Prods	1,866,180	1,693,453	10.2%	154,468	129,678	19.1%	
Protective Solutions	538,769	525,899	2.4%	42,121	51,526	(18.3)%	
	<u>\$ 5,036,650</u>	<u>\$ 4,782,877</u>	<u>5.3%</u>	<u>\$ 449,990</u>	<u>\$ 436,926</u>	<u>3.0%</u>	
				EBIT AS % OF SALES		MARGIN CHANGE	
				Consumer Packaging	11.8%	11.8%	—%
				Display & Packaging	0.5%	2.8%	(2.3)%
				Paper & Ind Conv Prods	8.3%	7.7%	0.6%
				Protective Solutions	7.8%	9.8%	(2.0)%
					<u>8.9%</u>	<u>9.1%</u>	<u>(0.2)%</u>



	1st Quarter				2nd Quarter				3rd Quarter				4th Quarter			
	J	F	M	Avg	A	M	J	Avg	J	A	S	Avg	O	N	D	Avg
<b>2015</b>	90	80	80	83	80	80	90	83	95	100	100	98	100	95	90	95
<b>2016</b>	80	80	80	80	80	85	95	87	100	110	110	107	110	110	120	113
<b>2017</b>	125	145	185	152	175	155	165	165	185	185	175	182	135	115	115	122
<b>2018</b>	115	110														

# Base Results

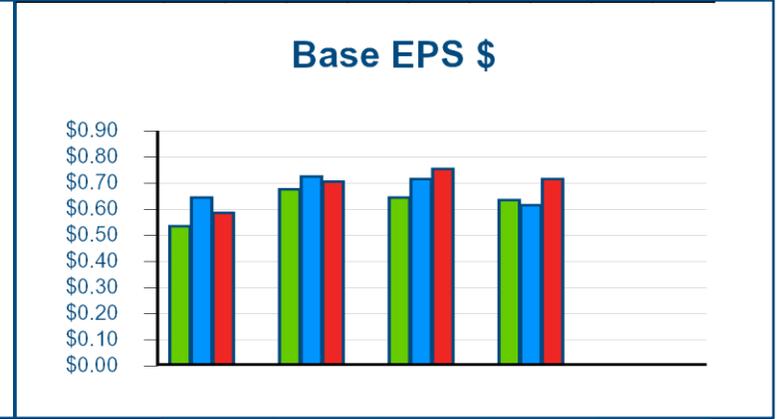
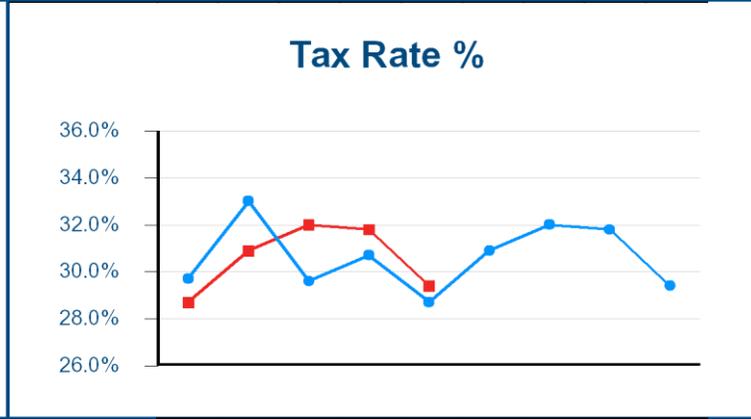
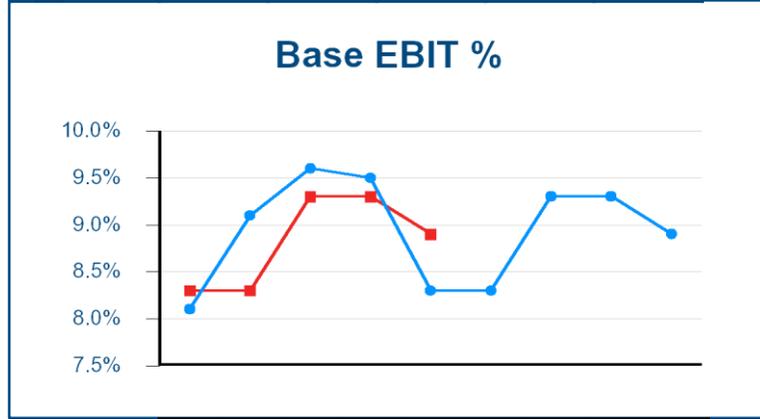
4th Quarter: 2017 Vs. 2016 Vs. 2015



	1Q	2Q	3Q	4Q	Total
2015	\$1,206	\$1,249	\$1,243	\$1,267	\$4,964
2016	\$1,226	\$1,206	\$1,209	\$1,142	\$4,783
2017	\$1,172	\$1,241	\$1,325	\$1,299	\$5,037

	4Q-15	1Q-16	2Q-16	3Q-16	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17
Hist	18.9%	20.0%	20.1%	19.5%	18.8%	18.8%	19.0%	18.9%	18.7%
Vs PY	18.8%	18.8%	19.0%	18.9%	18.7%				

	4Q-15	1Q-16	2Q-16	3Q-16	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17
Hist	10.7%	10.9%	10.4%	10.0%	10.5%	10.5%	9.7%	9.6%	9.8%
Vs PY	10.5%	10.5%	9.7%	9.6%	9.8%				



	4Q-15	1Q-16	2Q-16	3Q-16	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17
Hist	8.1%	9.1%	9.6%	9.5%	8.3%	8.3%	9.3%	9.3%	8.9%
Vs PY	8.3%	8.3%	9.3%	9.3%	8.9%				

	4Q-15	1Q-16	2Q-16	3Q-16	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17
Hist	29.7%	33.0%	29.6%	30.7%	28.7%	30.9%	32.0%	31.8%	29.4%
Vs PY	28.7%	30.9%	32.0%	31.8%	29.4%				

	1Q	2Q	3Q	4Q	Total
2015	\$0.54	\$0.68	\$0.65	\$0.64	\$2.51
2016	\$0.65	\$0.73	\$0.72	\$0.62	\$2.72
2017	\$0.59	\$0.71	\$0.76	\$0.72	\$2.79

