



# Defining Our Next Decade



**Sonoco Products Company**

New York Analyst Meeting

December 6, 2019

# Strategic Review Agenda

Book One



**ROB  
TIEDE**

President and CEO

Overview of 2019  
performance and a look  
ahead at Sonoco's growth  
drivers for 2020 and beyond.



## HOWARD COKER

Senior Vice President,  
Global Paper and Industrial  
Converted Products

Review Sonoco's Global Paper and Industrial Converted Products performance, Conitex and Corenso acquisitions and efforts to further optimize our global Industrial operations.



## RODGER FULLER

Senior Vice President,  
Global Consumer Packaging,  
Display and Packaging and  
Protective Solutions

Review Sonoco's Global Consumer Packaging, Display and Packaging and Protective Solutions performance. Examine our Consumer growth strategy and expansion into Healthcare Packaging.

# Sonoco's Sustainability Focus



**MARCY  
THOMPSON**

Vice President,  
Marketing, Innovation and Sustainability

Review Sonoco's sustainability commitments and actions and review EnviroSense™ sustainable packaging portfolio.



**JEFF  
SCHUETZ**

Staff Vice President,  
Consumer Technology

Review of technical applications of Sonoco's sustainable packaging and address myths of sustainability.

# Financial Review and Outlook

Book Two



**JULIE  
ALBRECHT**

Vice President and  
Chief Financial Officer

Review financial expectations for 2019  
and outlook for earnings and cash flow  
for 2020.



**ROB  
TIEDE**

President and CEO

Review of capital deployment strategy  
and long-range outlook.

# Forward Looking Statements

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.

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.



**Rob Tiede**  
President and CEO

# Our Last Decade



↑ 50%

↑ 51%

↑ 103%

↑ 107%

# Pension Headwinds

\$540 Million



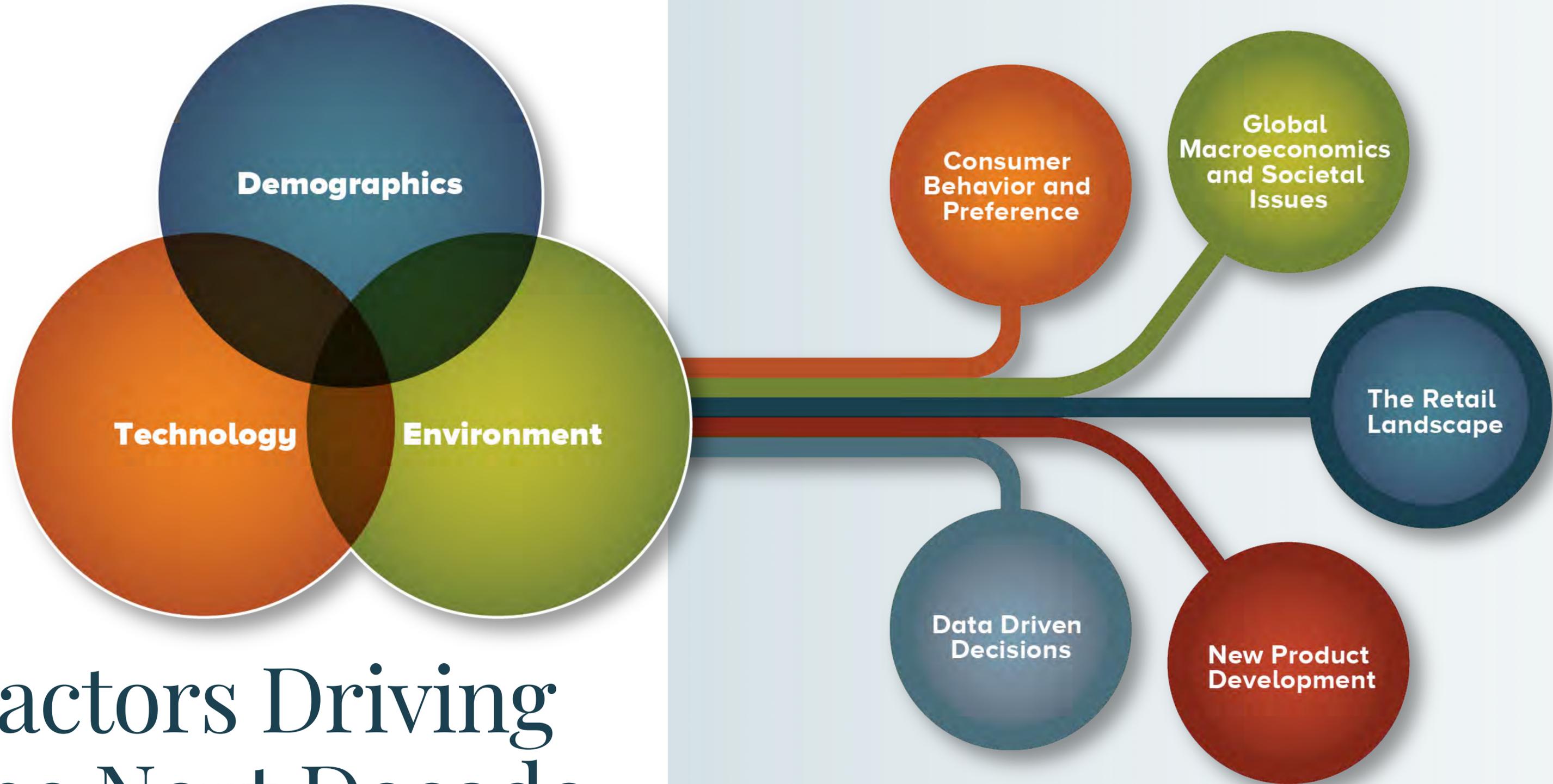
# Adapting to Change

Global Macroeconomics

Shifting Demographics

Changing Consumer Behavior

Evolving Trends in Packaging



# Factors Driving the Next Decade



# Demographics Driving Decisions

# Changing Populations, Changing Demands in Healthcare



# More Snacking, More Healthy Products, More Convenience, More Demands On Packaging



# Smarter Shoppers Require Smarter Packaging



# The Impact of Convenience on Consumption



# Ecommerce Continues to Impact Package Design



# Better Data Better Decisions





**ENVIROSENSE**<sup>™</sup>  
Packaging with tomorrow in mind<sup>™</sup>



\$5.42  
Billion

LTM Revenue  
up 1.6%

19.7%

LTM Gross Profit  
Margin up  
40 basis points

\$3.62

LTM Base EPS  
up 11.4%

# Sonoco's Performance by the Numbers

7.5%

2018 Return on  
Assets\* vs. 6.5%  
Peer Average

FORTUNE  
WORLD'S MOST  
ADMIRED  
COMPANIES 2019

BARRON'S  
2019  
100 Most  
Sustainable  
Companies

Forbes | 2019  
AMERICA'S  
BEST LARGE  
EMPLOYERS  
POWERED BY STATISTA

# Consumer Packaging

(\$ Millions)

	Q3 2019	Q3 2018
Net Sales	\$581	\$600
Base Operating Profit	\$56.7	\$56.0
	2019 YTD Q3	2018 YTD Q3
Net Sales	\$1,774	\$1,786
Base Operating Profit	\$181.8	\$180.7



# Paper and Industrial Converted Products

(\$ Millions)

	Q3 2019	Q3 2018
Net Sales	\$496	\$464
Base Operating Profit	\$59.4	\$53.9

	2019 YTD Q3	2018 YTD Q3
Net Sales	\$1,483	\$1,399
Base Operating Profit	\$169.0	\$155.2



# Display and Packaging

(\$ Millions)

	Q3 2019	Q3 2018
Net Sales	\$145	\$165
Base Operating Profit	\$8.9	\$3.7

	2019 YTD Q3	2018 YTD Q3
Net Sales	\$417	\$451
Base Operating Profit	\$21.3	\$4.9



# Protective Solutions

(\$ Millions)

	Q3 2019	Q3 2018
Net Sales	\$132	\$136
Base Operating Profit	\$14.0	\$10.4
	2019 YTD Q3	2018 YTD Q3
Net Sales	\$391	\$400
Base Operating Profit	\$39.3	\$34.7



Strategic Focus



# Simplification

## Structure

- Two Main Segments
  - Consumer
  - Industrial
- Support Organizations
  - Build Around Segments

## Processes

- Realizing Our Value (ROV)
- Sonoco Performance System (SPS)
- Cost Vigilance
- Sustainable Innovation
- Talent Growth
- Capital Deployment

## Portfolio

- Growth
  - Flexibles
  - Plastics
  - Paper
- Markets
  - Healthcare
  - Perimeter of Store
  - Sustainability
- Optimize

# Our Strategic Focus



**20/20 VISION**  **ASCENT**  
**\$6B + 16%**

# The Path to Growth: OPBDA\*



# The Path to Growth: Sales





# Why 1-2% Organic Sales Growth is Achievable

# Why 1-2% Organic Sales Growth is Achievable



# Profitable Consumer Growth

Why 1-2% Organic Sales Growth is Achievable



## Rigid Plastics

- \$20 million of new Chilled and Prepared Food volume in 2020
- Next-gen portion control
- Shelf-stable pet food
- Improved Perimeter of the Store quality, performance
- New frozen food tray volume at end of 2020

## Flexibles

- Maximize position in Hard Baked Goods, Confectionery
- New snack volume
- Lidding stock for thermoformed trays
- Drive new business from industry consolidations

## Paperboard Cans— Stacked Chip Growth

- New lines in Poland (2019-2021)
- New ag-fiber trays (sustainability)
- Growth in emerging markets (South Africa, Brazil and Asia)

# Profitable Global Industrial Growth

## Paper/Industrial Converted Products



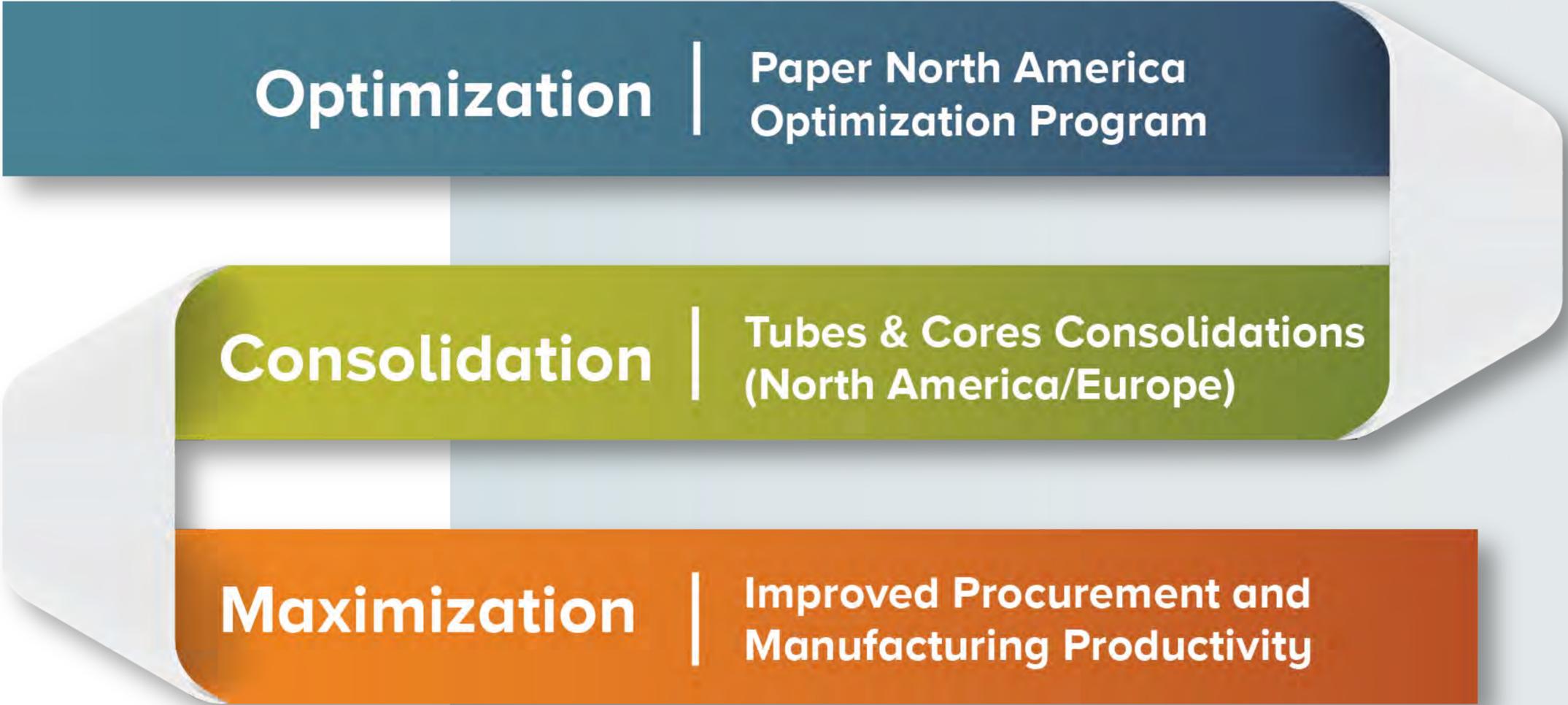
- Increase exposure in emerging Asian markets
  - Continue successful integration of Conitex
- Grow/Optimize Paper North America
  - Corenso integration
  - Recycled pulp growth
- Grow/Optimize Global Tubes and Cores
  - Continue to evaluate and execute footprint rationalization
  - Consider strategic bolt-on acquisitions



# Commercial Excellence

Realizing Our Value





# Operational Excellence

# Margin Improvement

SG&A Reduction

Leverage the Enterprise



Information  
Technology

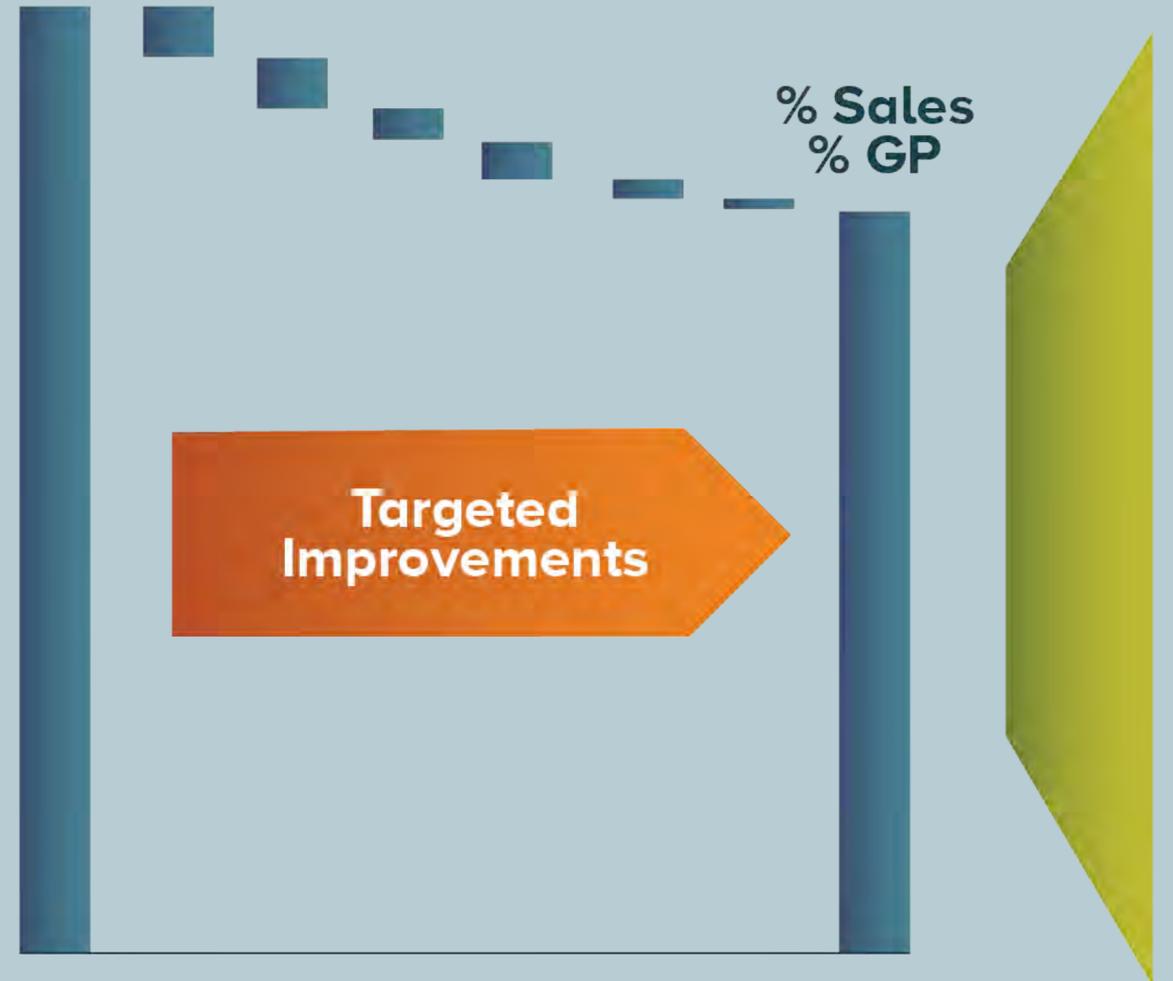


Human  
Resources



Supply  
Management

10.2% Sales  
52.8% GP



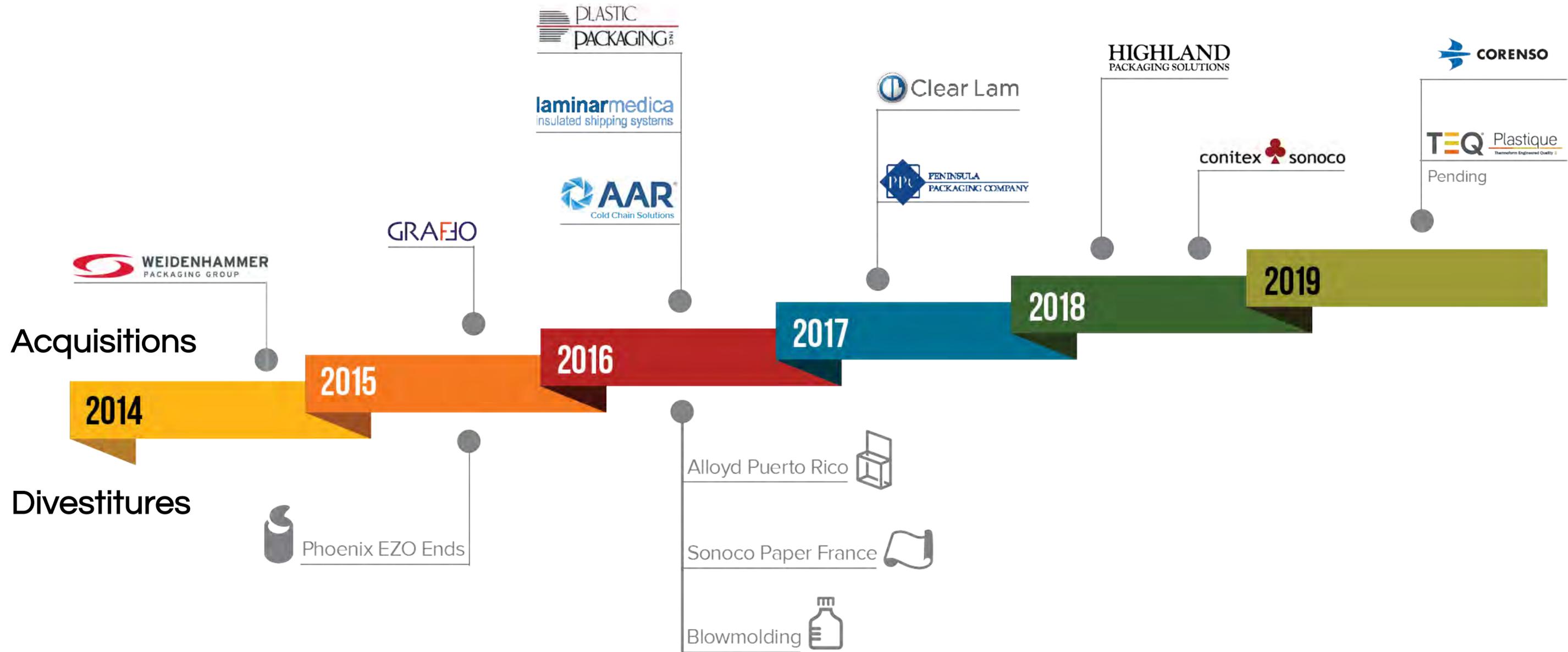
% Sales  
% GP

Targeted  
Improvements

2018  
SG&A

Target  
SG&A

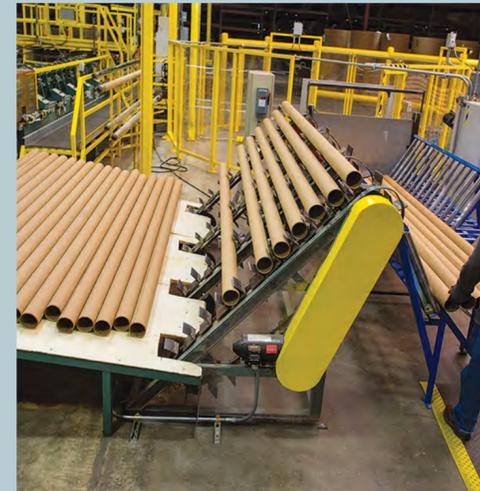
# Portfolio Changes



# Consumer Packaging



# Paper and Industrial Converted Products



# Drive Free Cash Flow

Actions Necessary to Grow by 10%

- Control SG&A
- Strategic Capital Spending
- Working Capital Improvement



# Making Sustainability a Core Competency





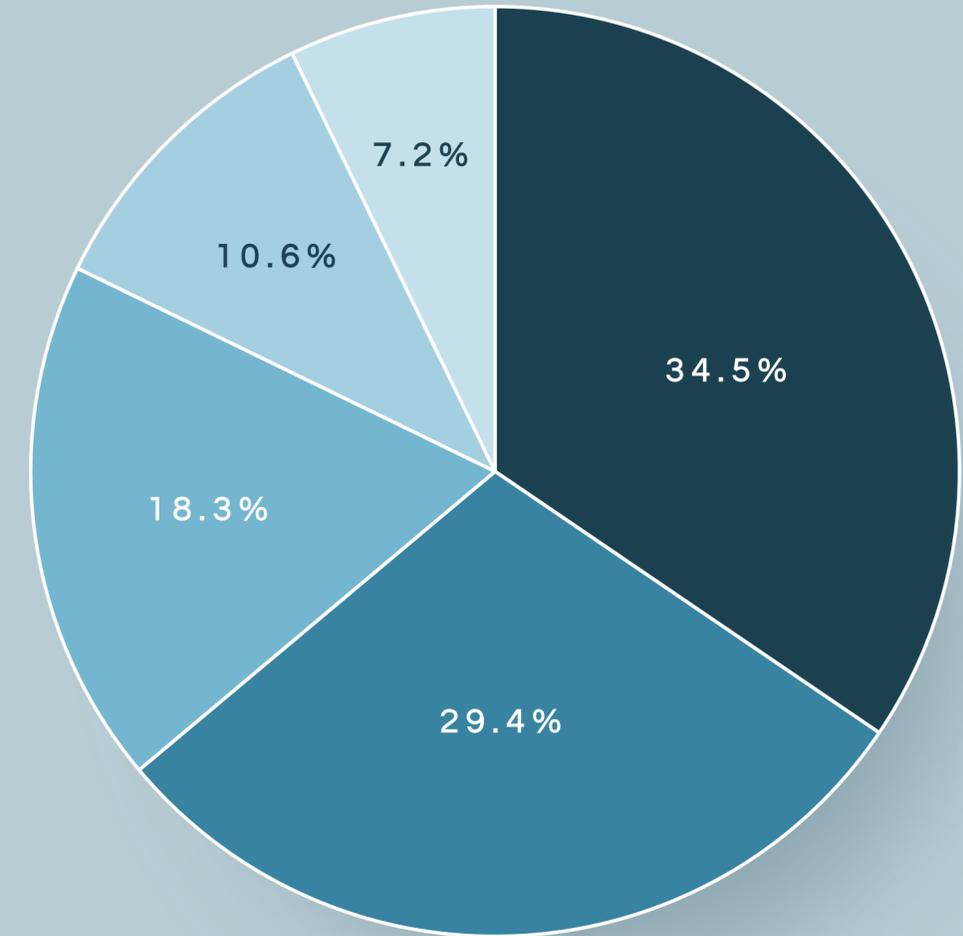
# Howard Coker

Senior Vice President,  
Global Paper and Industrial  
Converted Products

# Global Paper and Industrial Converted Products



Percentage of 2018 Segment Sales  
\$1,911 Million



- Industrial Carriers North America
- Integrated Paper US/Canada
- Paper/Industrial Converted Products Europe
- Asia/Aust/NZ/Conitex
- Paper/Industrial Converted Products LATAM

# Sonoco's Integrated Industrial Model

Drive significant improvement in cash generation in the integrated supply chain



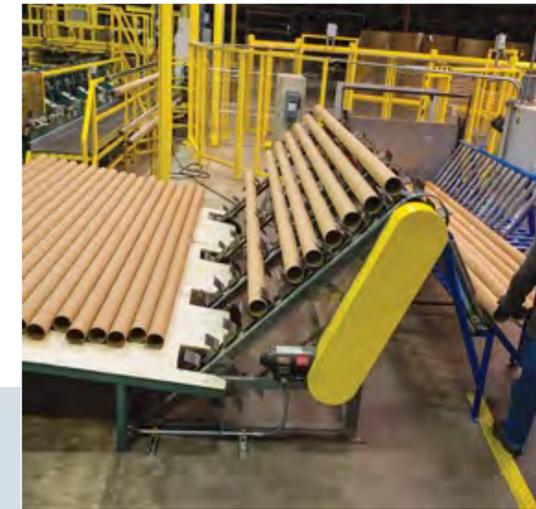
## Recycling

- Adapt to lower OCC prices
- Drive changes to existing model
- Right-size footprint and position
- Drive sales of recycled pulp to Asia



## Primary Materials

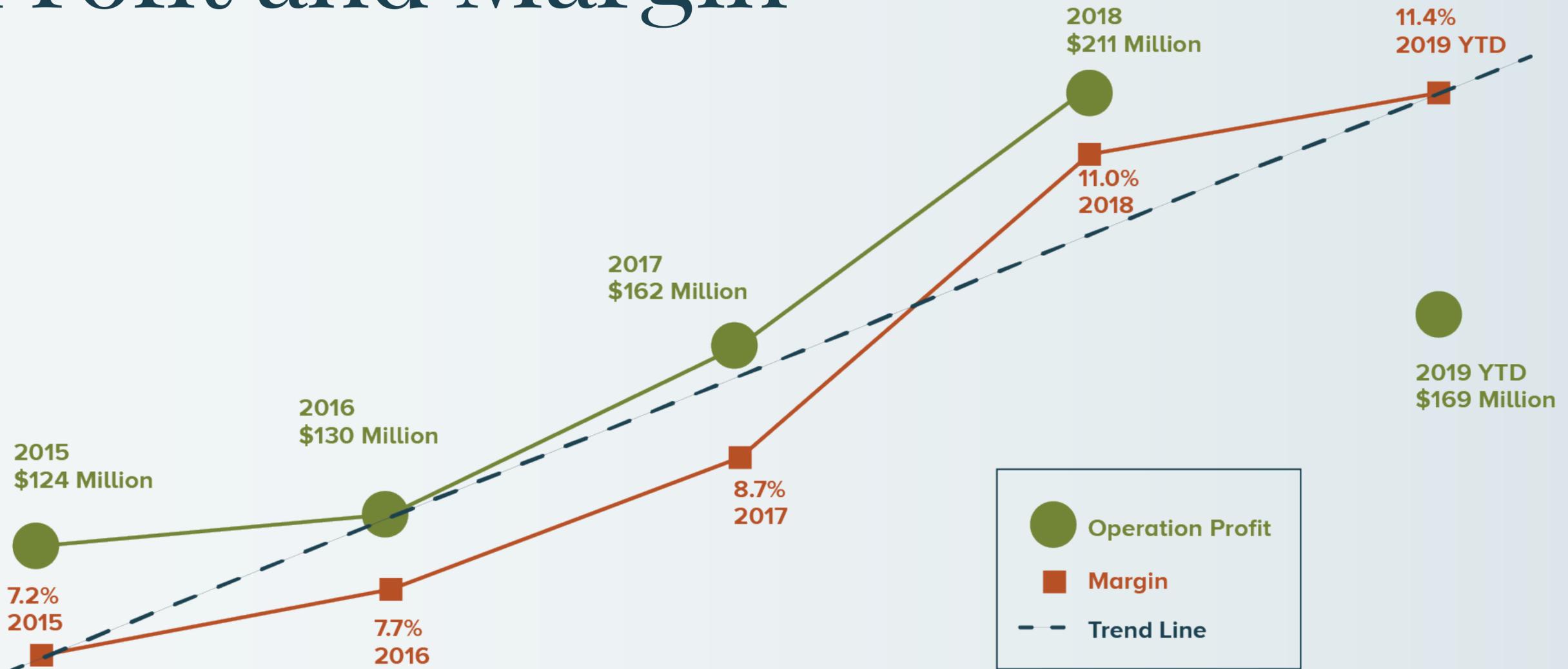
- Maximize internalization of volume
- Complete North America/Europe capital expenditures
  - Rationalize footprint
- Long-term solution to corrugating medium position



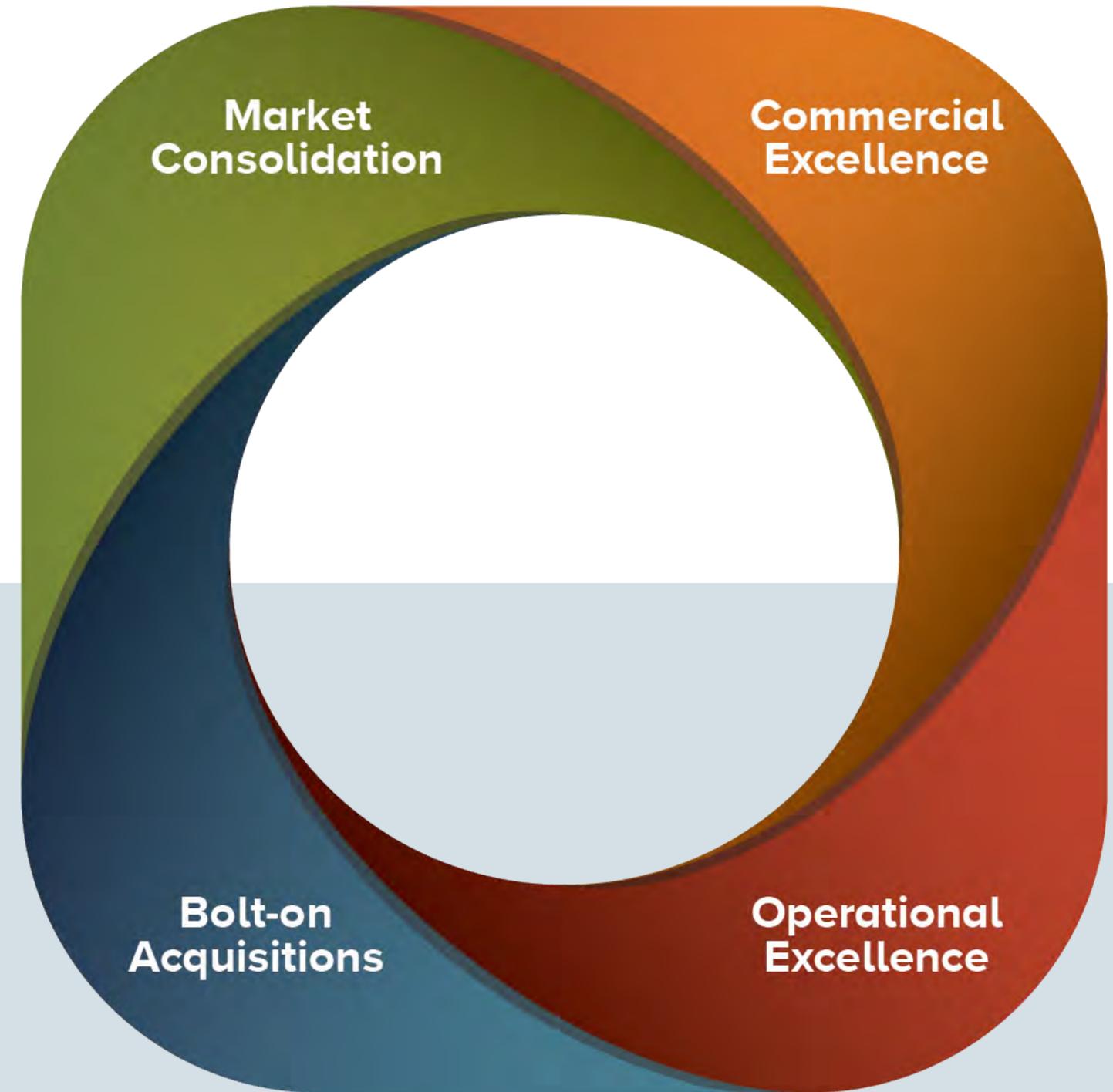
## Tubes, Cores and Cones

- Further rationalization in North America, Europe and Asia
- Continue customer segmentation
- Drive automation
- Control costs

# Five-year Trend in Operating Profit and Margin



# Factors for Growth



# Sonoco's Global Paper Mill Network

24

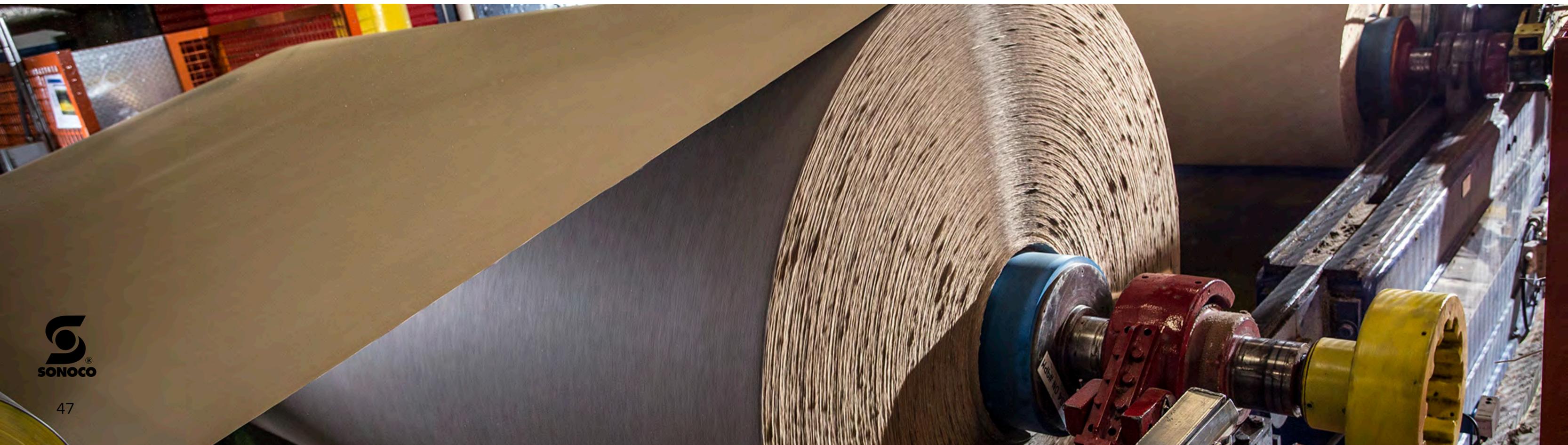
Paper  
Mills

34

Machines

2.1

Million  
Tons



# Sonoco Acquires Corenso Holdings Americas

Sustainable Paperboard and Core Converting Business



## Products, Markets Served and Sustainability Attributes:

- Uncoated Recycled Paperboard (URB)
- Tubes and Cores (serving)
  - Paper mills
  - Flexible packaging films
  - Tape cores and specialty products
- Products derived from 100% recycled raw materials (paper-based fibers)

## Acquisition Highlights:

- \$75 million in net sales in 2018
- Further expands Sonoco's sustainable paperboard and core converting footprint in U.S.
- 108,000 tons per year

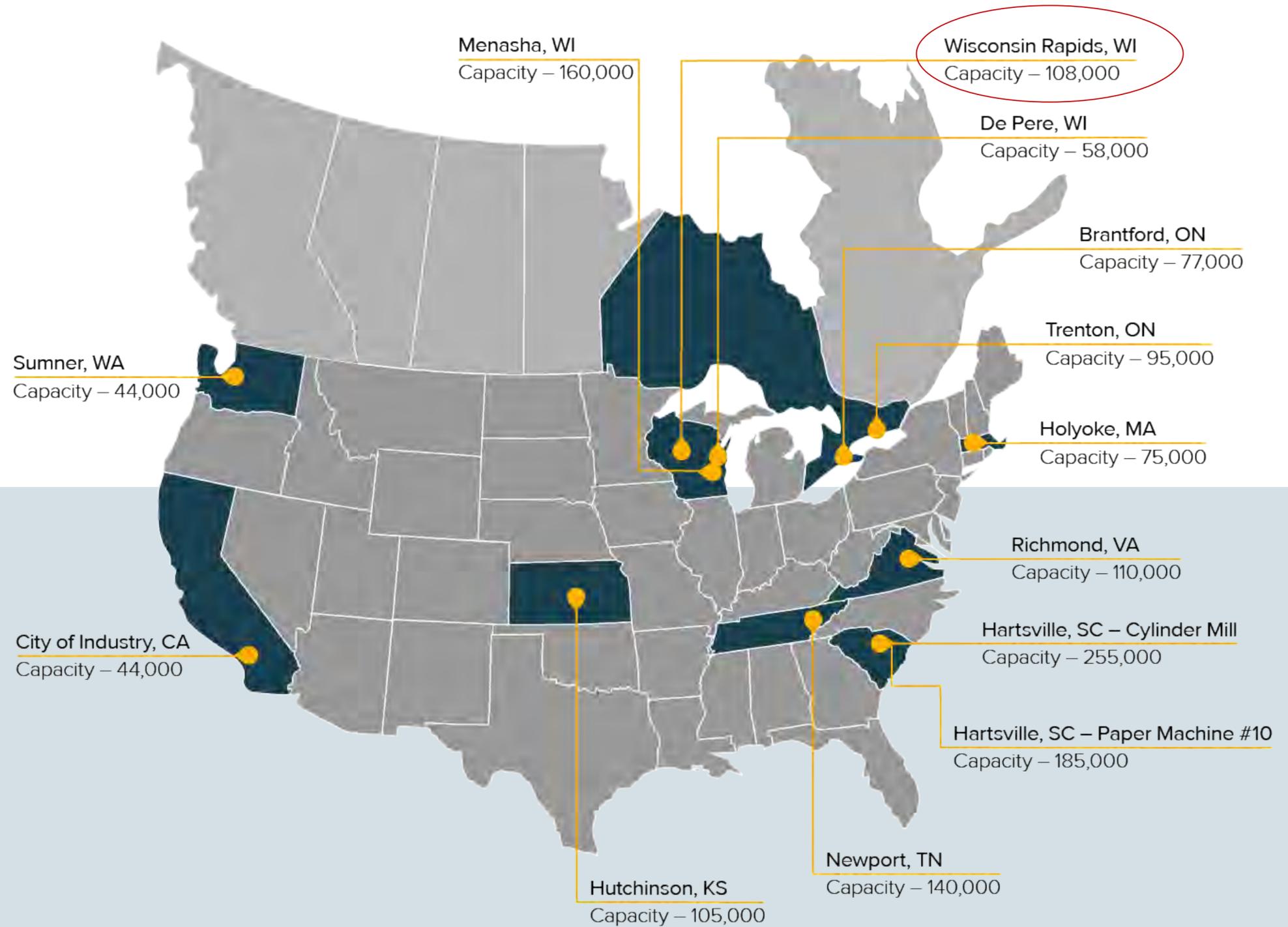


# North America Asset Optimization Strategy

\$70 million investment to drive cash and margin improvement



# Sonoco Paper Mill Network – U.S. and Canada



# Tubes and Cores Asset Optimization North America



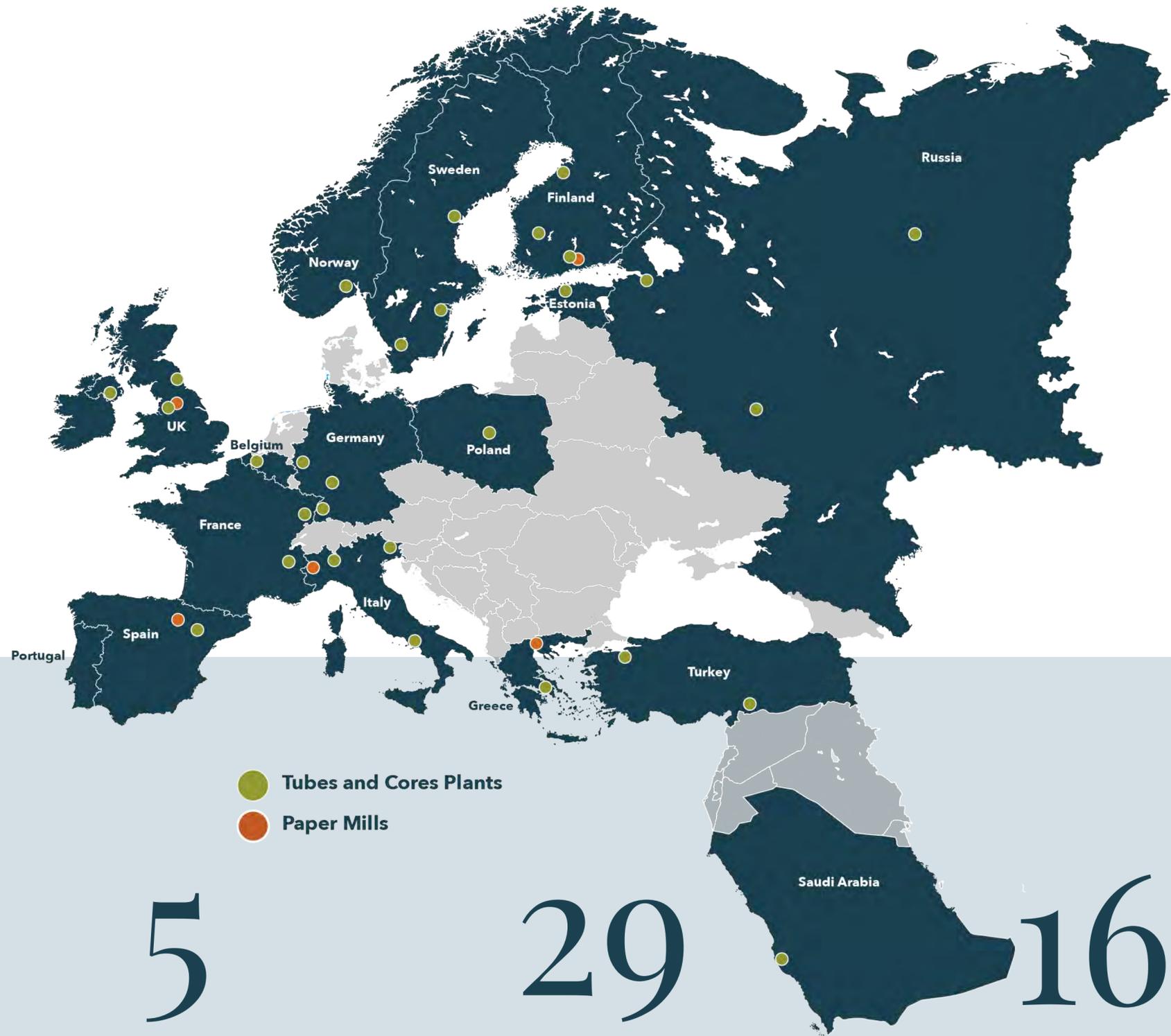
SKU ↓ 20%

PLANTS: 31 ↓  
25

WINDERS: 86 ↓  
79

**TESTING  
ROBOTIC LINES**  
to produce film and  
textile cores

# Optimization of European Footprint



- Drive internalization of paper supply
- Consolidate tubes and cores footprint through 2022
- Opportunities for bolt-on acquisitions to further optimize paper and converting system

5

Paper Mills

29

Tubes and Cores Operations

16

Countries

# Growing Industrial Products into Emerging Markets

Conitex Acquisition and Integration



# Conitex Growth Opportunities and Synergies

- Drive internalization of paper in Asia/Europe
- Consolidate Asia tubes and cores operations within Conitex
- Expand cone production to Brazil (2020)
- Drive additional synergies



- 🏭 Manufacturing & Distribution
- 👤 Sales & Service
- 🏠 Warehouse/Distribution
- 🏢 Corporate Office



# Rodger Fuller

Senior Vice President,  
Global Consumer Packaging,  
Display and Packaging and  
Protective Solutions

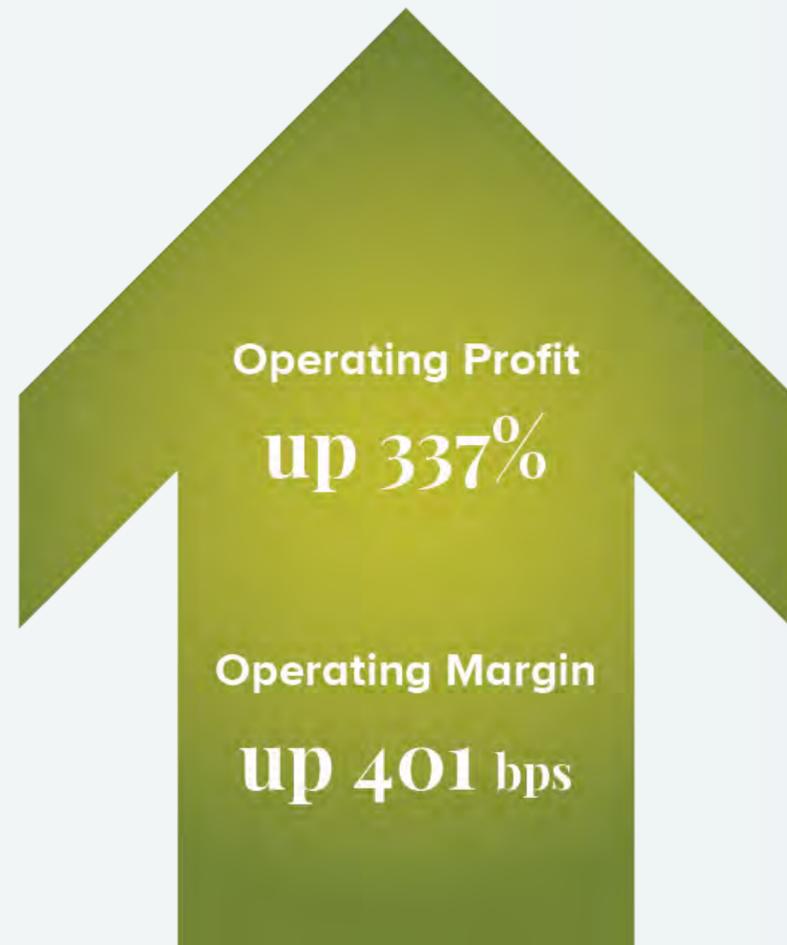
# Change and Focus



# Change with Purpose



# YTD Q3 Operating Profit and Margin



Display and Packaging



Protective Solutions

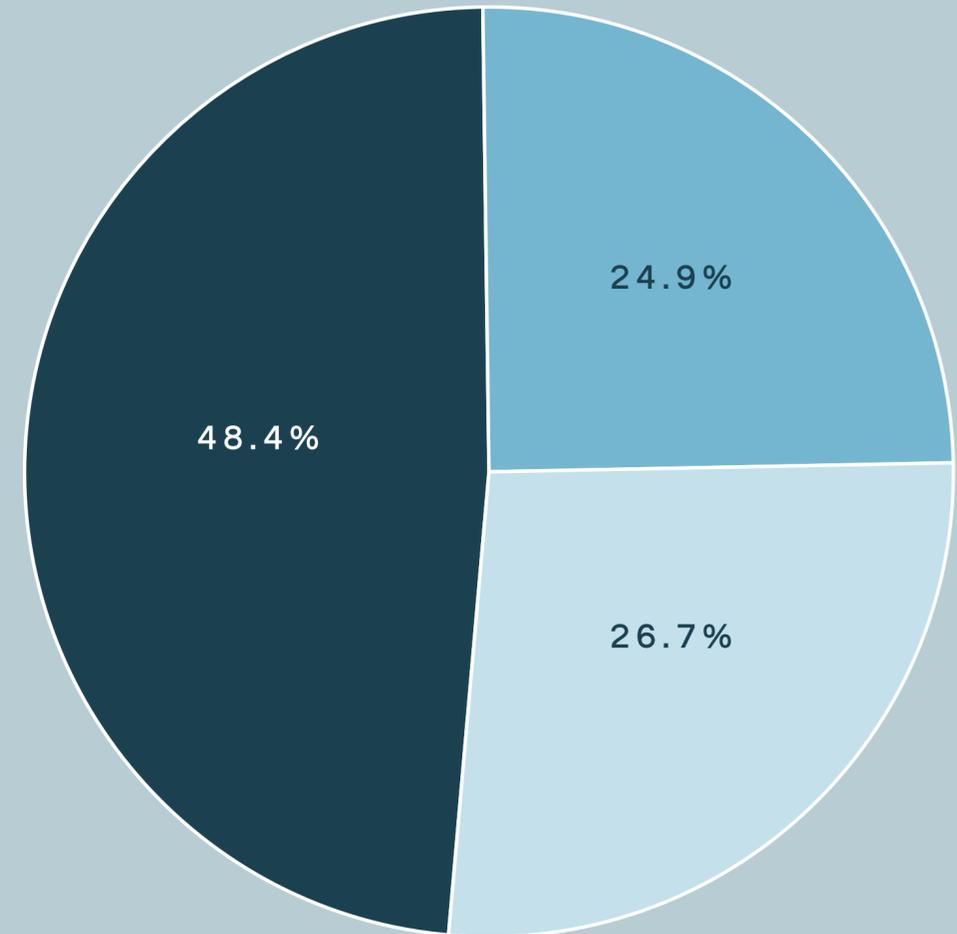


Consumer Packaging

# Global Consumer Packaging



Percentage of 2018 Segment Sales  
\$2,360 Million



- Global Rigid Paper and Closures
- Flexible Packaging
- Rigid Plastics

# Consumer Market Trends Driving Our Strategy

- Health and Well-being
- Demographic Changes
- Digital Disruption
- Social Consciousness



# Consumer Sector Top Priorities



Sustainable Packaging Solutions



Perimeter of Store



Healthcare/Well-being

# Sustainable Packaging Solutions



# Perimeter of Store



# Healthcare Packaging Solutions



# Paperboard Can Markets and Products



Snacks



Refrigerated Dough



Powdered Beverage



Nuts



Powdered Infant Formula



Coffee



Adhesives and Sealants



Ends

# EcoSeal™

95% all-paper food containers

**Operations:** Developing sustainable alternatives that can run on existing machinery.

**Technical:** R&D focus on paper bottoms or removable metal ends, recyclable paper or plastic overcaps.

**Commercial:** Approximately 40% of production in Europe offers all-paper can alternatives. Developing consumer education campaigns to facilitate acceptance of new product.



# Natrellis™

Ag-fiber trays for frozen and chilled foods

**Operations:** Tellus partnership for sugar cane pulp forming mill with ability to produce 30 million trays.

**Technical:** Proprietary forming, tooling and coating applications, with no PFAs.

**Commercial:** First test market launch by end of 1Q 2020 in frozen food trays; chilled meals in second half of 2020.



# The Power of Paperboard

When it comes to sustainability all packaging is not created equal

1 Paper-board Can  = 6 Gallons of Mix = 320<sub>gm</sub> GHG

38 PET Bottles  = 6 Gallons of Mix = 4,940<sub>gm</sub> GHG

64 Cans  = 6 Gallons of Mix = 7,680<sub>gm</sub> GHG

## Poland

Fifth and sixth line  
start-up in Poland

## South Africa

Start-up of new  
plant in South Africa

## Brazil

Start-up of new  
plant in Brazil

# Emerging Market Growth



## Asia

Continued growth  
in Asia

## Middle East

Middle East  
expansion

# Flexible Packaging

Targeting 4% Organic Growth in 2020

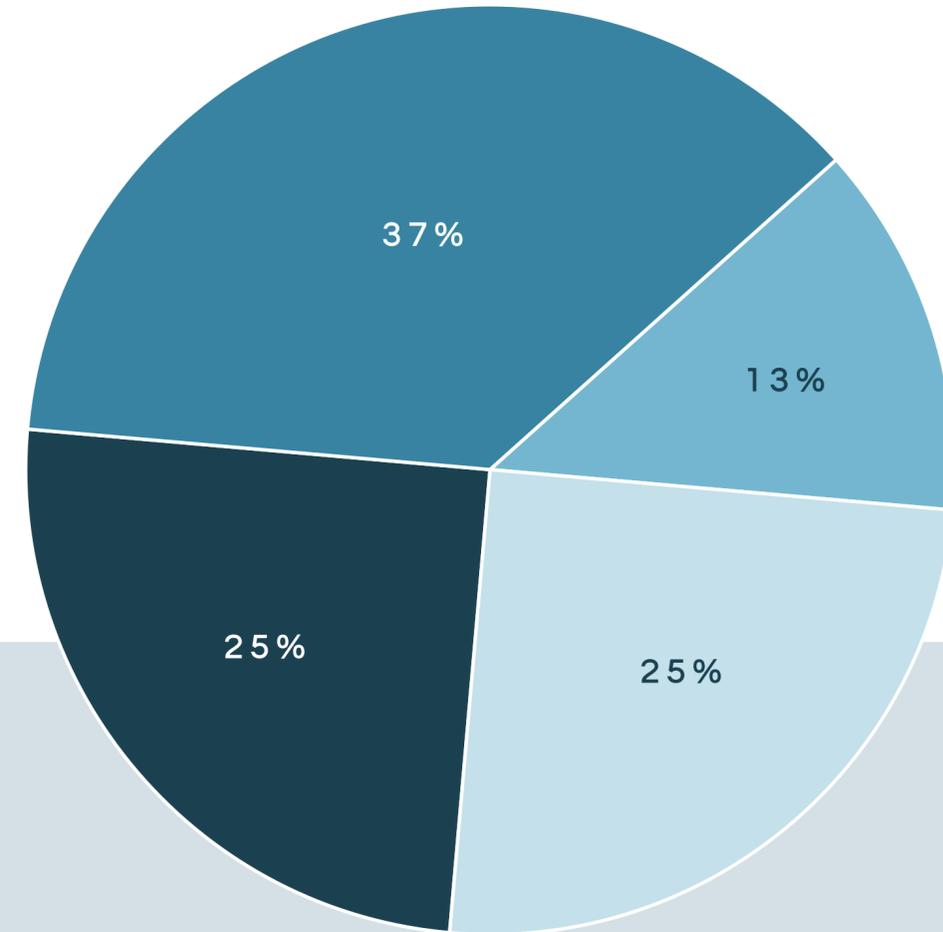


# Rigid Plastic Packaging Growth

Targeting 4%-5% Organic Growth in 2020

- TEQ acquisition and expansion of medical packaging
- \$20 million in prepared food trays
- New frozen food tray award
- Investing to improve POS quality and capability

Market Segment



- Prepared & Specialty Foods
- Perimeter of the Store (POS)
- Retail Security/Healthcare
- Industrial



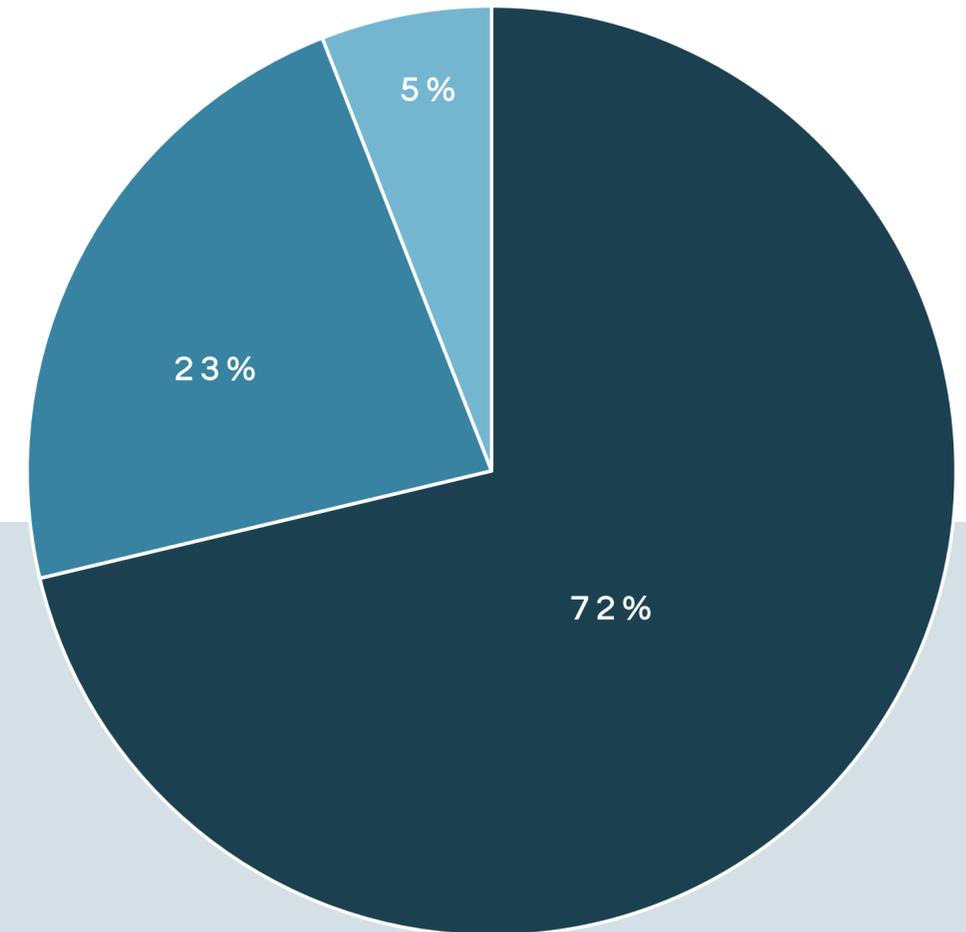
# Healthcare and Medical Packaging Growth



Plastique  
Thermoform Engineered Quality



Market Segment



- Healthcare and Medical Devices
- Consumer
- Molded Fiber



**SONOCO**  
**HEALTHCARE**  
P A C K A G I N G  
THERMOSAFE + TEQ + ALLOYD



# Reinventing Our Consumer Organization



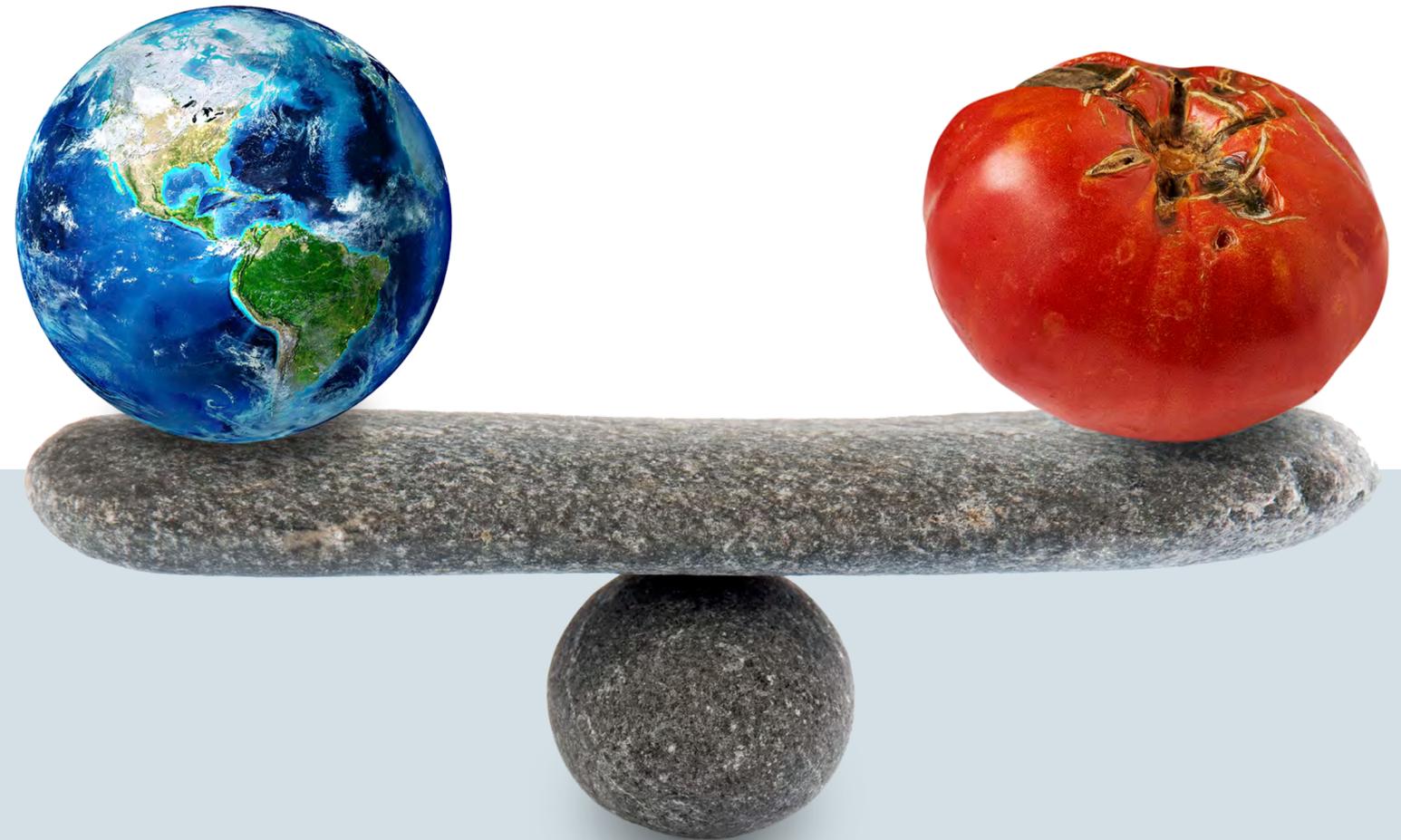


# Marcy Thompson

Vice President,  
Marketing, Innovation  
and Sustainability

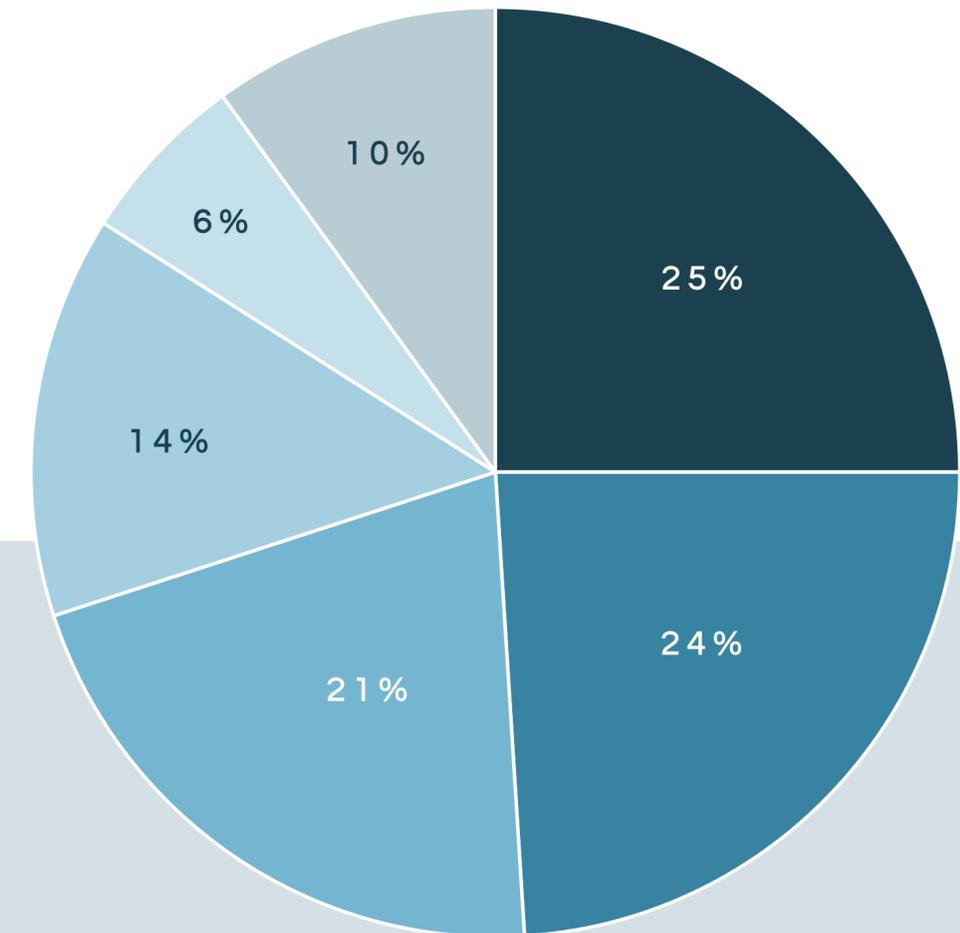
# A Delicate Balance

Sustainability and Food Waste  
aren't mutually exclusive



# Defining the problem: GHG Emissions

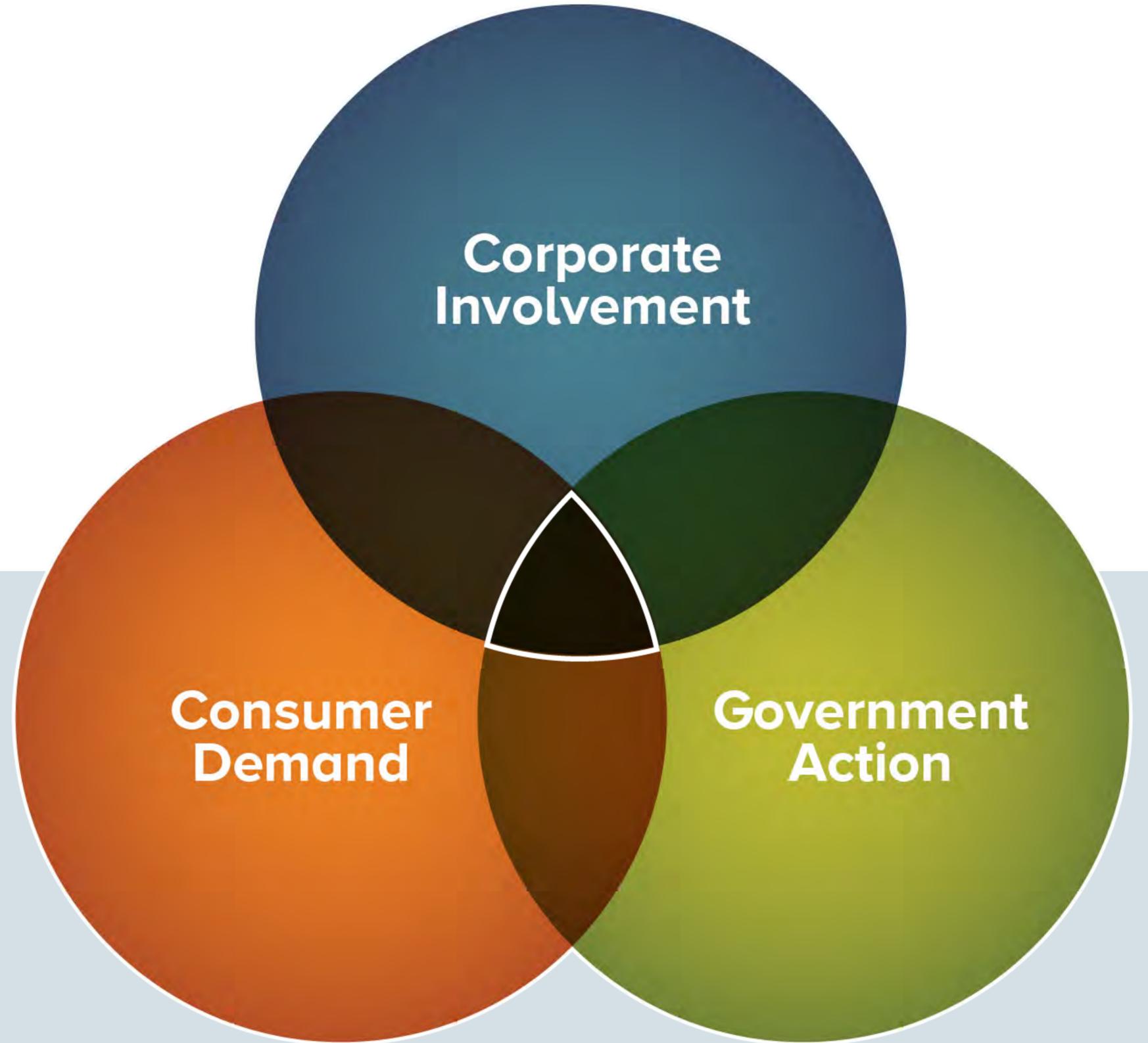
If we are solving for greenhouse gas emissions and are concerned about climate change, packaging is a minor contributor



- Electricity
- Food, Land use
- Industry
- Transportation
- Buildings
- Other

# Sustainability's 3 Forces

Change is being driven in every  
part of our lives



# Social Consciousness

Brands do well by doing good



# Sonoco Sustainability Commitments

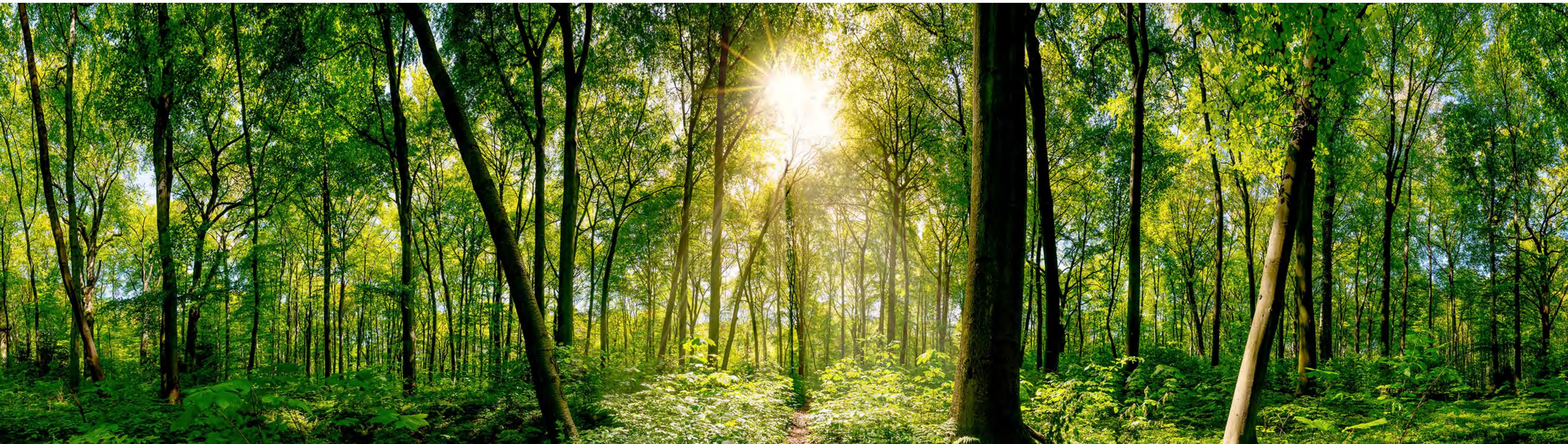
By 2025, Sonoco will increase, by weight, the amount we recycle, or cause to be recycled, from 75% to 85%, relative to the volume of product we put into the global marketplace.

Sonoco is committed to increasing the use of post-consumer recycled resins in its plastic packaging from 19% to 25% by 2025.

Sonoco will ensure that approximately 75% of its global rigid plastic packaging is capable of making the relevant on-package recyclable claim by 2025.

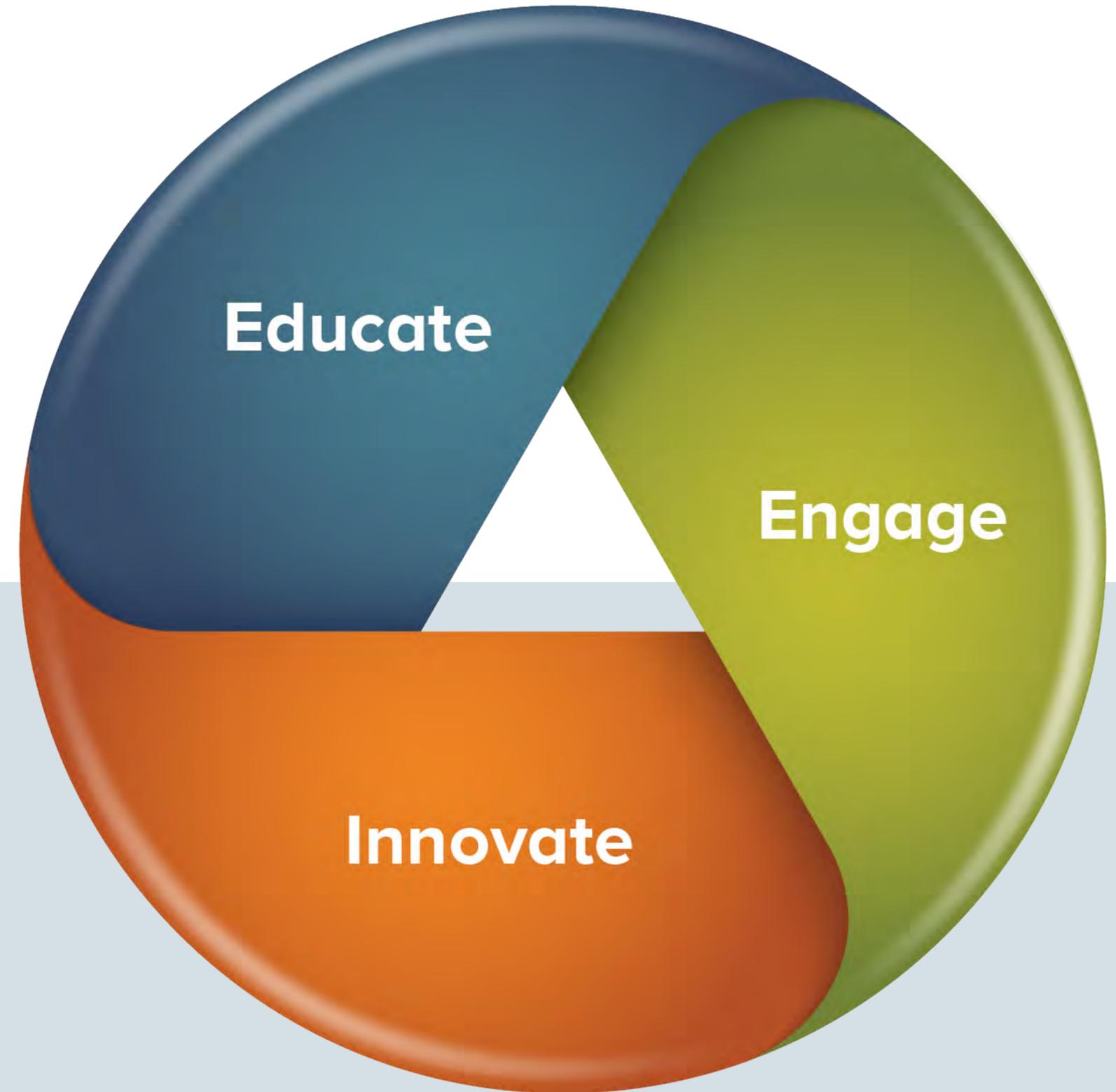
Sonoco will not utilize resin additives that purport to degrade in landfills or waterways by simply breaking up into smaller pieces.

Sonoco will ensure all of its production facilities utilizing plastic pellets have systems to prevent environmental discharge of these pellets.



# Building a Sustainability Strategy

Expanding knowledge, increasing  
engagement, driving innovation



2019 | Sustainability  
& Food Waste  
SUMMIT

SEPTEMBER 17-18 | HARTSVILLE, SC



FRESH Thinking for the Future of Packaging and Food

# September 22-23, 2020

Clemson, South Carolina

2020 | Sustainability  
& Food Waste  
**SUMMIT**

SEPTEMBER 22-23 | CLEMSON, SC



FRESH Thinking for the Future of Packaging and Food



**ENVIROSENSE**<sup>™</sup>  
Packaging with tomorrow in mind<sup>™</sup>



# Environmental Attributes



REUSABLE



COMPOSTABLE



RECYCLABLE



RECYCLED  
CONTENT



BIO-BASED  
CONTENT



OPTIMIZED



REDUCED  
ENVIRONMENTAL  
IMPACT



RESPONSIBLE  
FIBER  
SOURCING



**Jeff Schuetz**  
Staff Vice President,  
Consumer Technology

# Food Packaging Design Considerations



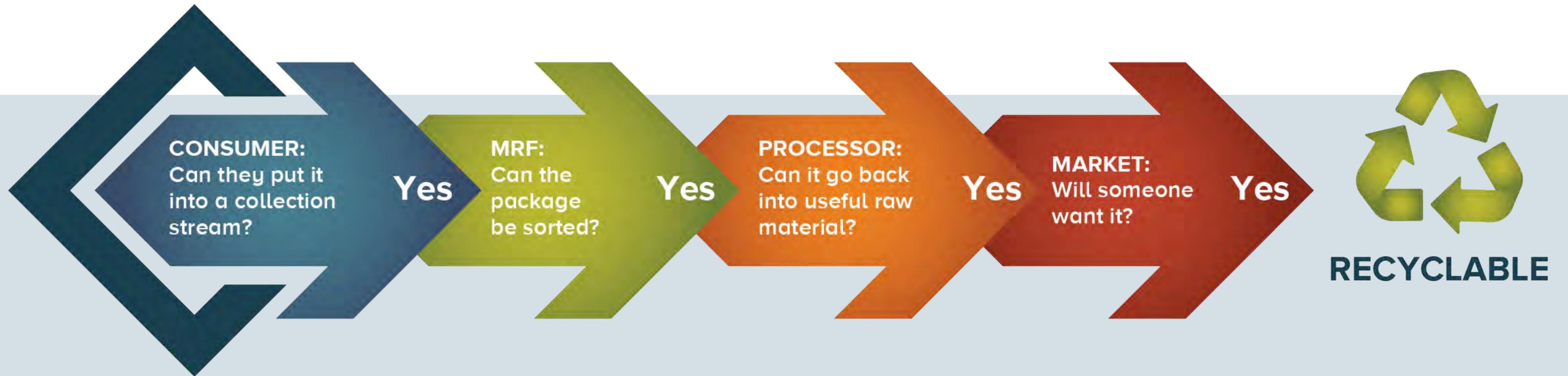
# Targeting the Opportunity for Growth



# Recyclability vs. Total Lifecycle Impact



# Package Recycling Defined



# Recycling Breakthroughs are Emerging

## Collection



Single Stream

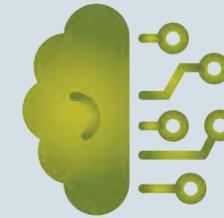


Dual Stream

## Sorting



Identification



Artificial Intelligence (AI)



Robotics

## Processing



Mechanical



Chemical



Biological



Thermal

# EnviroFlex™ PE

Bringing Flexibility to Sustainability

- Eligible for the How2Recycle® Store Drop-Off label
- Available in a wide range of flexible formats and barrier options tailored to the product needs
- Lightweight material offers numerous cost advantages



RECYCLABLE



REDUCED  
ENVIRONMENTAL  
IMPACT



# Recyclable cPET Meal Trays



Natural Tray - W

- Excellence performance through the frozen supply chain and cooking process
- Post-consumer recycle content of up to 40%
- Trays can be recovered using current MRF sorting technology (pending validation)
- New look can enable consumer education regarding recyclability



Natural Tray - G



RECYCLABLE



RECYCLED  
CONTENT



OPTIMIZED

# Next Generation Paper Cans

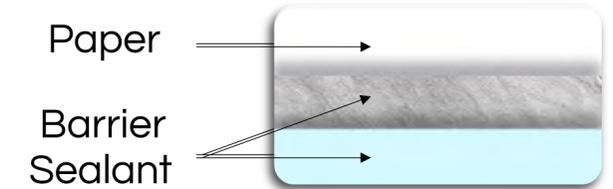
New features, new construction,  
breathing new life into rigid paper  
containers

- Highly recyclable
- Highly versatile
- Highly durable



Overcap >95% paper content

Membrane



Can Body >95% paper content



Bottom End - >95% paper content

# Natrellis™

Sugarcane Based Packaging

- 100% U.S. sourced sugarcane fiber package
- Convenient dual-ovenable performance for frozen and chilled prepared meal markets
- Proprietary coating technology eliminates chemicals of concern



RECYCLABLE



BIO-BASED  
CONTENT



RESPONSIBLE  
FIBER  
SOURCING



# EnviroSense™ Product Line Launch Pipeline





# Financial Review and Outlook

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**Julie Albrecht**

Vice President and  
Chief Financial Officer

# YTD Q3 2019 Financial Performance

(Dollar in Millions Except Base EPS)

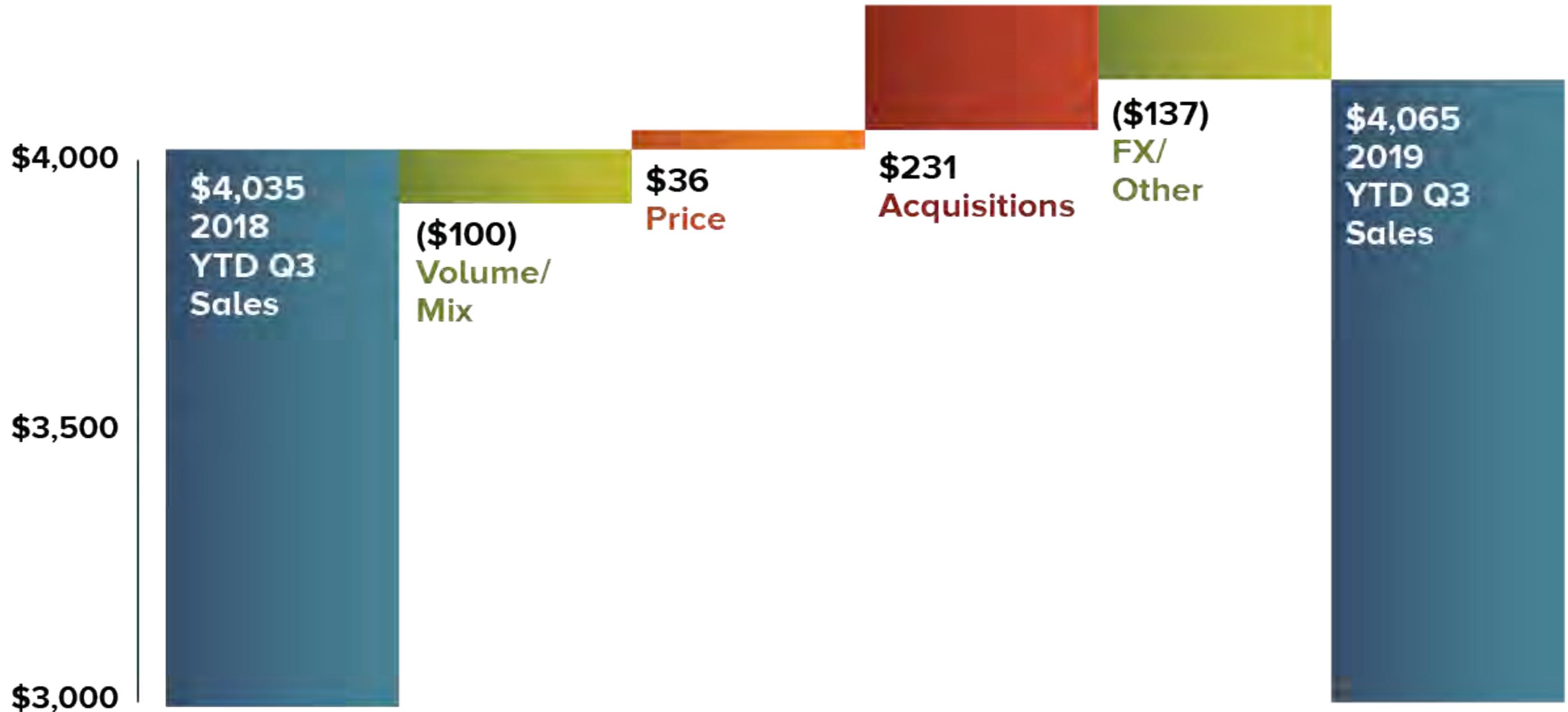
	YTD 2019	YTD 2018	Better/(Worse)	
			\$	%
Sales	\$4,065.4	\$4,035.3	\$30.1	0.7%
Base Operating Profit	\$411.4	\$375.6	\$35.8	9.5%
Base OPBDA*	\$587.6	\$548.9	\$38.7	7.1%
Base OPBDA* Margin	14.5%	13.6%	—	—
Base Net Income, Attributable to Sonoco	\$280.8	\$255.3	\$25.5	10.0%
Base EPS, Diluted	\$2.78	\$2.53	\$0.25	9.9%

\*Operating profit before depreciation and amortization, base

# Sales Bridge

YTD 3Q 2018 vs. YTD Q3 2019

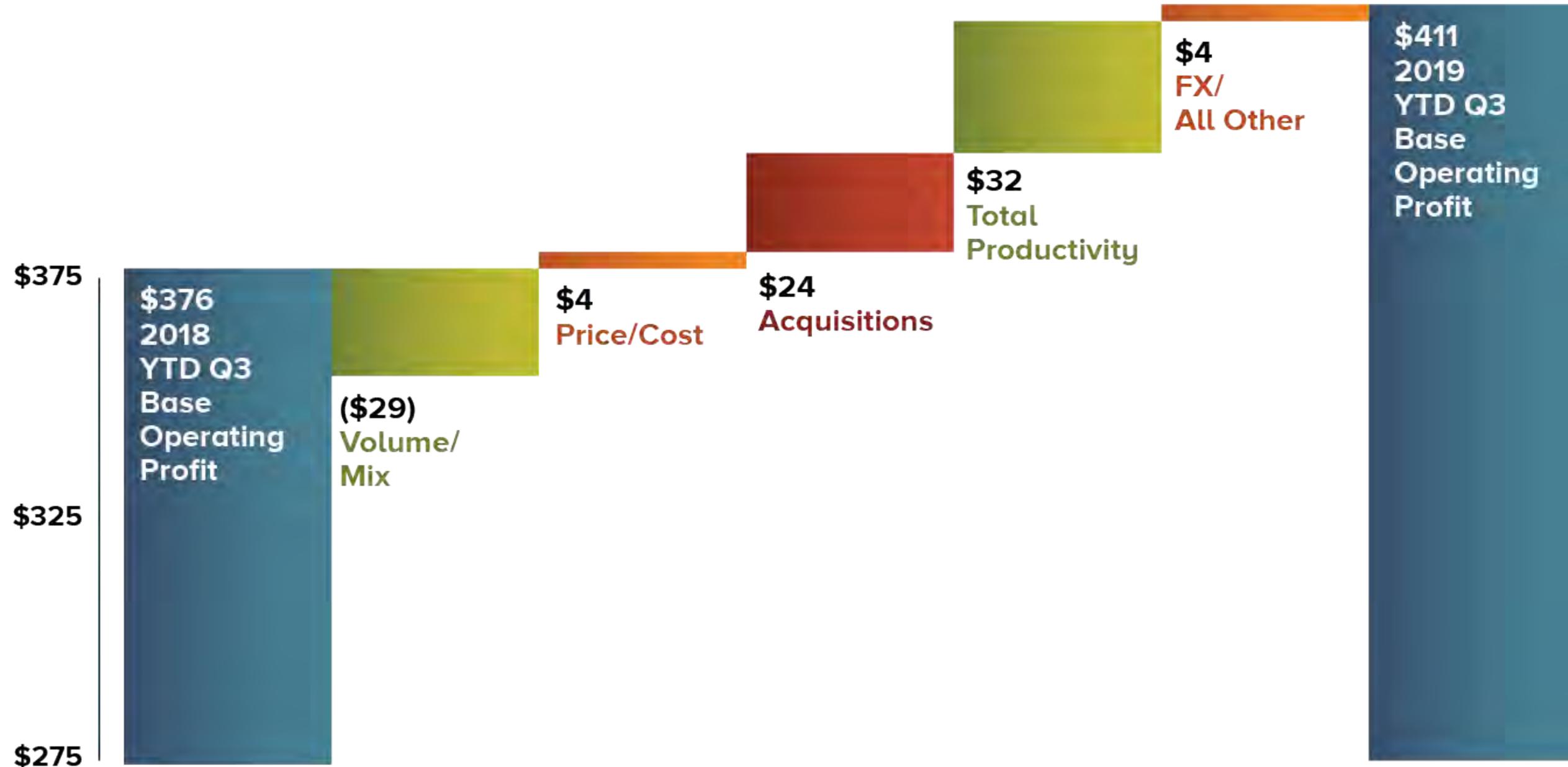
(Dollars in Millions)



# Base Operating Profit Bridge

YTD Q3 2018 vs. YTD Q3 2019

(Dollars in Millions)



# Sonoco Reaffirms Q4 and Full-year 2019 Base EPS Guidance

Full-year 2018 Base EPS	\$3.37
YTD 3Q 2019 Base EPS	\$2.78
4Q 2019 Base EPS Guidance	\$0.72 - \$0.76
Full-year 2019 Base EPS Guidance	\$3.50 - \$3.54

# 2019 Projected Cash Flow

Operating Cash Flow and Free Cash Flow Guidance Reaffirmed

(Dollars in Millions)

	Original Guidance (As of Q1 2019)	Voluntary U.S. Pension Contribution (after-tax)	Reaffirmed Guidance**
Operating Cash Flow	\$ 610	(\$165)	\$ 445
Capital Expenditures	(\$205)	\$ -	(\$205)
Dividends	(\$170)	\$ -	(\$170)
Free Cash Flow*	\$235	(\$165)	\$ 70

\*Free Cash Flow is defined as Operating Cash Flow minus Capital Expenditures and Dividends

\*\* Guidance updated July 2019

# 2020 Key Base Earnings Assumptions

Volume/Mix growth projected just above 1%

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TEQ acquisition accretive and expected to close in early 2020

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Material cost changes

- OCC projected to average \$35/ton
  - Tan bending chip paperboard to average \$730/ton
- 

Resin prices projected flat or slightly down from 2019 averages

---

2020 Depreciation and Amortization projected to be \$260 million, including impact of Corenso and TEQ

---

Key currencies: Euro and Mexico expected to slightly weaken while Canada is expected to modestly strengthen vs. USD

---

Interest expense projected to be flat as higher debt levels are offset by lower interest rates

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Base effective tax rate projected to be between 25% and 26%; as compared to 24.5% in 2019P

# 2020 Sales Bridge

(Dollars in Millions)



# 2020 Base EPS Bridge

Sonoco Guidance for 2020 Base EPS \$3.65 to \$3.75  
(Dollars per Diluted Share)



# 2020 Projected Cash Flow

(Dollars in Millions)

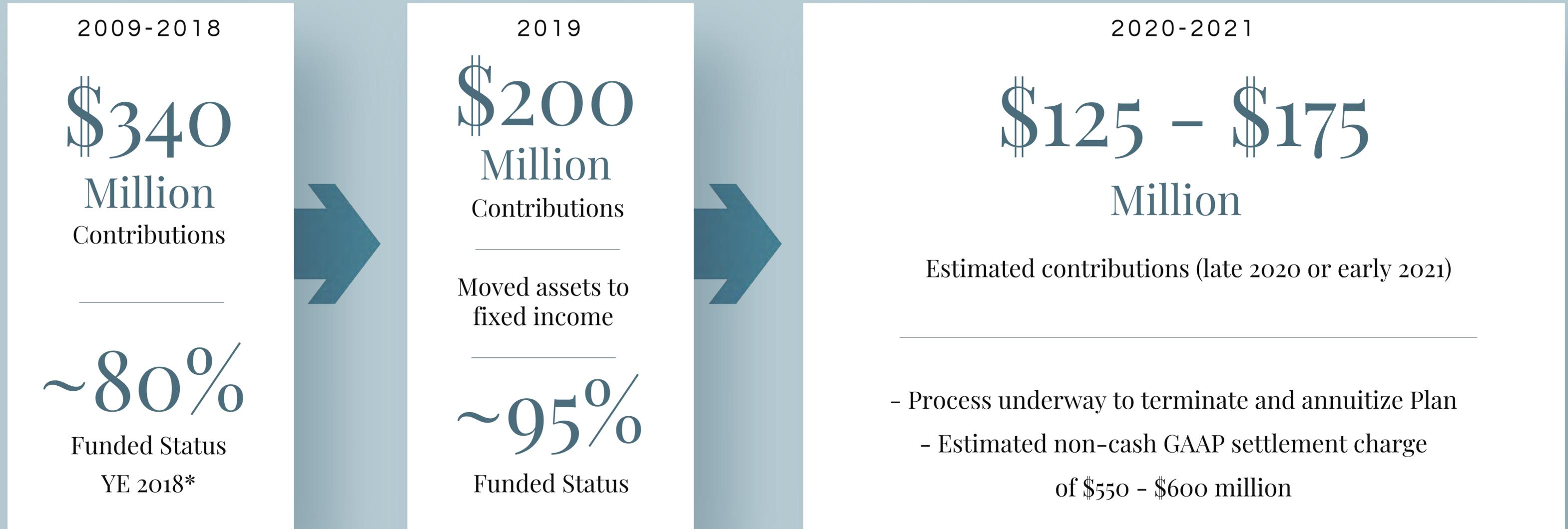
	2019P*	2020P**
Operating Cash Flow	\$445	\$635
Capital Expenditures	(\$205)	(\$195)
Dividends***	(\$170)	(\$180)
Free Cash Flow	\$70	\$260

\*2019 includes \$165 million voluntary U.S. pension plan contribution, after-tax.

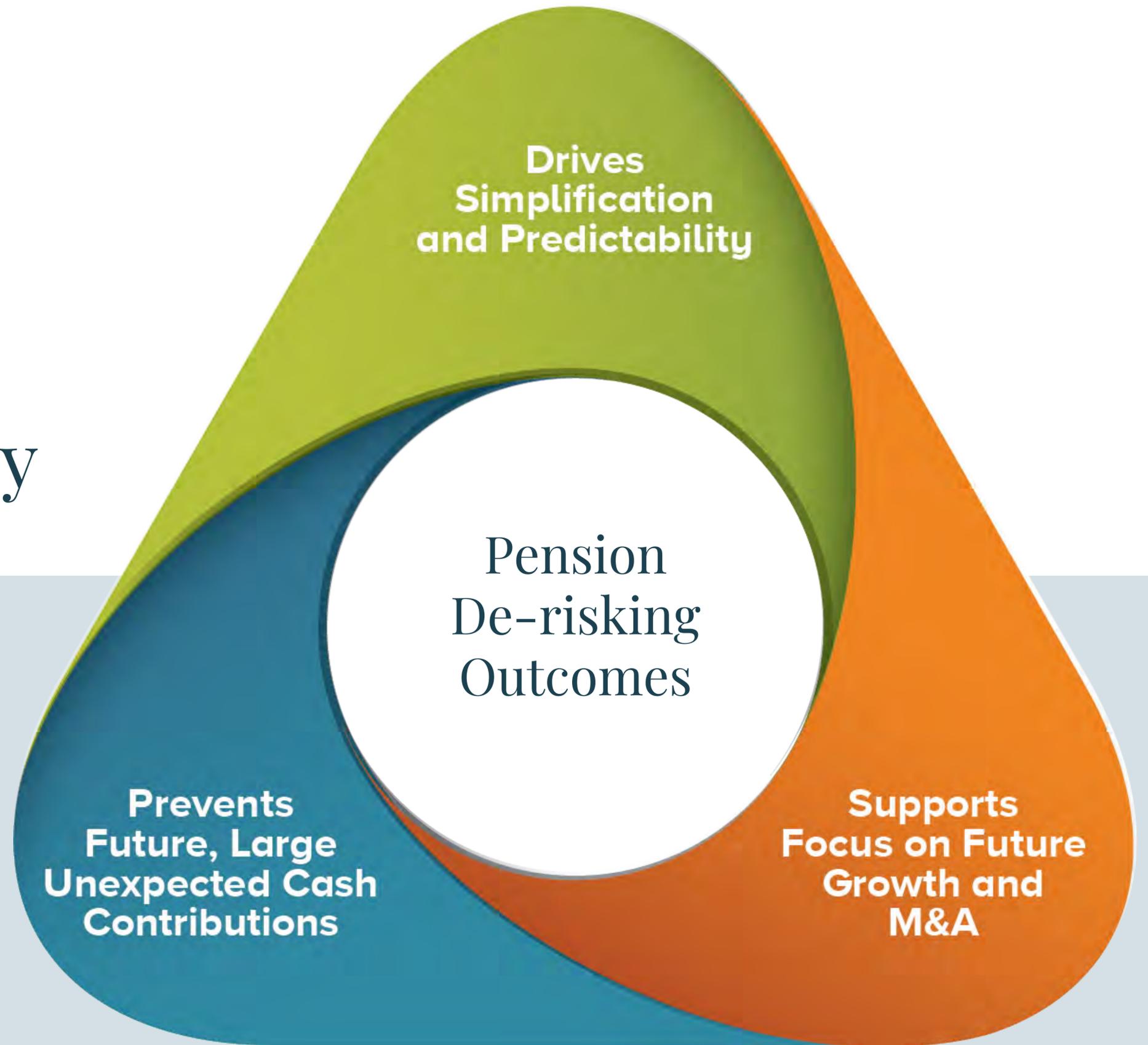
\*\* 2020 Cash flow guidance excludes a potential pension contribution related to the U.S. pension plan termination process. Projected contribution could range between \$125-\$175 million.

\*\*\*2020 Dividend subject to Board approval.

# U.S. Defined Benefit Pension Plan Journey



# U.S. Defined Benefit Pension Plan Journey



# Capital Structure

(Dollars in Millions)

	2018	Q3 2019
Total Debt	\$1,385	\$1,555
Cash	\$120	\$116
Net Debt*	\$ 1,265	\$1,439
Net Debt to OPBDA*	1.9x	2.0x
Net Debt to Total Capital*	42%	44%

\* On a GAAP basis

	Q3 2019
Commercial Paper	\$132
Term Loan due in 2021	\$200
Term Loan due in 2022	\$153
1.0% Euro Debt due in 2021	\$163
9.2% Bonds due in 2021	\$4
4.375% Bonds due in 2021	\$249
5.75% Bonds due in 2040	\$599
Other Debt	\$55
Total Debt	\$1,555

# Sonoco's 2020 Guidance Overview

Sales, Base Earnings, Base OPBDA and Cash Flow Targets at Midpoint

(Dollars in Millions, except EPS)

	2020P	Versus 2019
Sales Guidance	\$5,551	Up 3.0%
Base EPS Guidance	\$3.70	Up 5.1%
Operating Cash Flow	\$635*	Up 4.1%**
Free Cash Flow	\$260*	Up 10.6%**
Base OPBDA	\$816	Up 6.8%
Base OPBDA as % of Sales	14.7%	Up 50 bps

\*2020 Cash flow guidance excludes a potential pension contribution related to the U.S. pension plan termination process. Projected contribution could range between \$125-\$175 million.

\*\*Cash Flow growth compared to 2019 Cash Flow outlook adjusted to exclude \$165 million voluntary U.S. pension contribution.

# Capital Deployment Strategy

Total Capital Expenditures  
in 2020  
**\$195**  
Million

## Return cash to shareholders

Current Annual Dividend Payout  
**\$1.72**  
per share

**\$1.7**  
Billion

Cash returned to shareholders  
over the past decade and  
\$915 Million in the past five years

and

**95**  
consecutive years

Dividends and Stock Repurchases  
millions of dollars



Pursue accretive  
acquisitions in targeted  
Consumer and  
Industrial markets:

Flexibles  
Thermoforming  
Healthcare

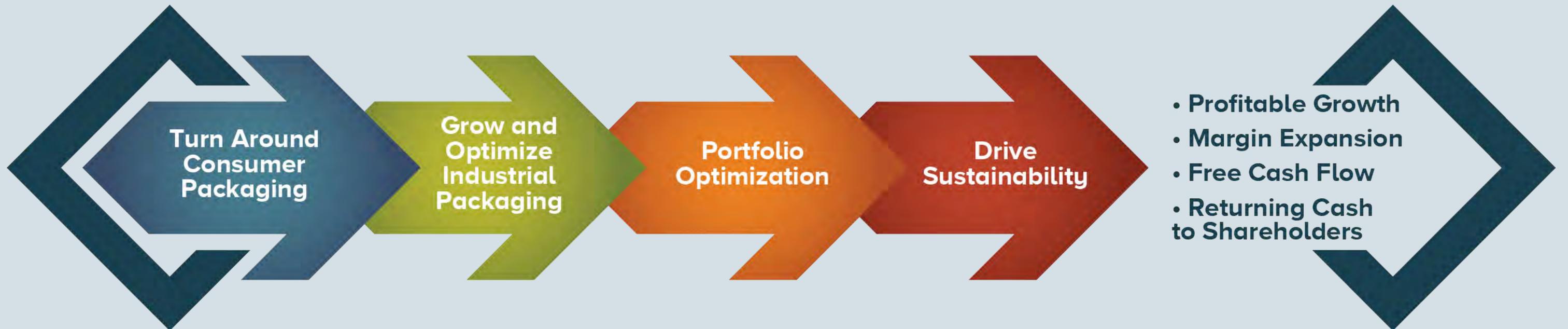
Paper  
Tubes and Cores

Share  
Repurchases

# The Year Ahead



# Sonoco's 2020 Expectations





Q&A



Defining  
Our  
Next   
**Decade**