



# Sonoco 4th Quarter and Full-Year Results

Investor Presentation | February 2019





**sonoco.com**

# 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 Q4 2018 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

Fourth Quarter: 2018 Vs. 2017

	4th Quarter		Year To Date	
	2018	2017	2018	2017
<b>Actual EPS</b>	\$ 0.77	\$ 0.06	\$ 3.10	\$ 1.74
<b>Addback for:</b>				
Restructuring & Asset Impair, Net	0.08	0.17	0.30	0.25
Pension Settlement Expense	—	0.01	0.01	0.20
Acquisition / Divestiture Costs	0.10	0.01	0.14	0.10
Tax Reform on Deferred and AOCI	—	(0.25)	—	(0.25)
Tax Repatriation Toll Charge	0.04	0.76	0.04	0.76
Tax Rate Changes & Reserve Adjustments	(0.15)	(0.02)	(0.21)	—
Other	—	(0.02)	(0.01)	(0.01)
<b>Base EPS*</b>	\$ 0.84	\$ 0.72	\$ 3.37	\$ 2.79
*Due to rounding individual items may not sum down				
<b>Sonoco Guidance</b>	\$0.79 to \$0.85		\$3.32 to \$3.38	

# P&L Summary (Base)

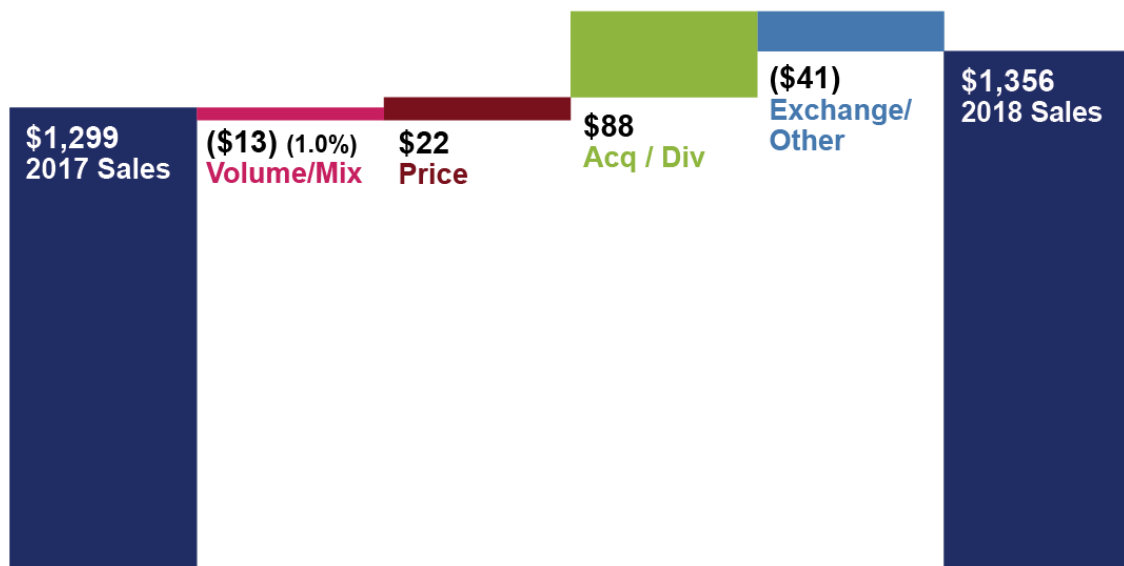
Fourth Quarter: 2018 Vs. 2017(Dollars in thousands)

	2018	2017	Better / (Worse)	
			\$	%
Net sales	\$ 1,355,616	\$ 1,299,018	\$ 56,598	4.4%
Cost of sales	(1,101,308)	(1,054,609)	(46,699)	(4.4)%
Gross profit	254,308	244,409	9,899	4.1%
Selling, general and administrative expenses	(138,093)	(126,775)	(11,318)	(8.9)%
Operating Profit	116,215	117,634	(1,419)	(1.2)%
Non-operating pension costs	744	2,653	(1,909)	(72.0)%
Net interest	(15,173)	(14,248)	(925)	(6.5)%
Income before income taxes	100,298	100,733	(435)	(0.4)%
Provision for income taxes	(17,895)	(29,617)	11,722	39.6%
Income before equity in earnings of affiliates	82,403	71,116	11,287	15.9%
Equity in earnings of affiliates, net of tax	2,204	2,743	(539)	(19.7)%
Net income	84,607	73,859	10,748	14.6%
Noncontrolling interests	186	(411)	597	145.0%
Net income attributable to Sonoco	\$ 84,793	\$ 73,448	\$ 11,345	15.4%
EPS diluted	\$ 0.84	\$ 0.72	\$ 0.12	16.7%
Gross profit %	18.8%	18.8%		
SG&A %	10.2%	9.8%		
OP %	8.6%	9.1%		
Effective tax rate	17.8%	29.4%		

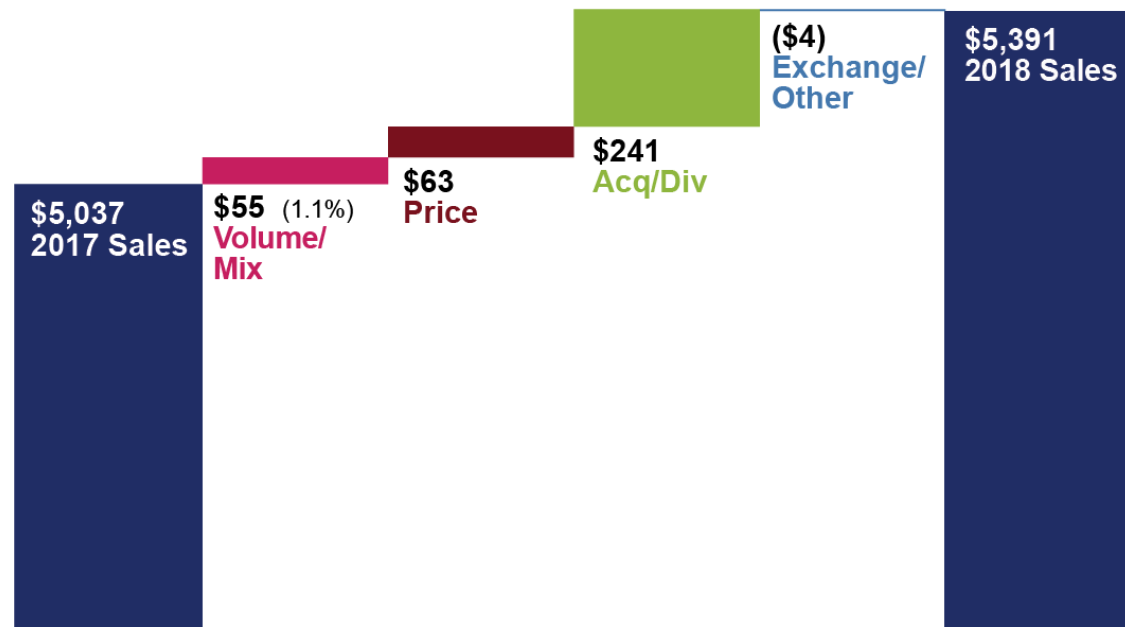
# Sales Bridge

Fourth Quarter: 2018 Vs. 2017 (Dollars in millions)

**Sales Bridge**  
4th Quarter: 2018 Vs. 2017  
(Dollars in millions)



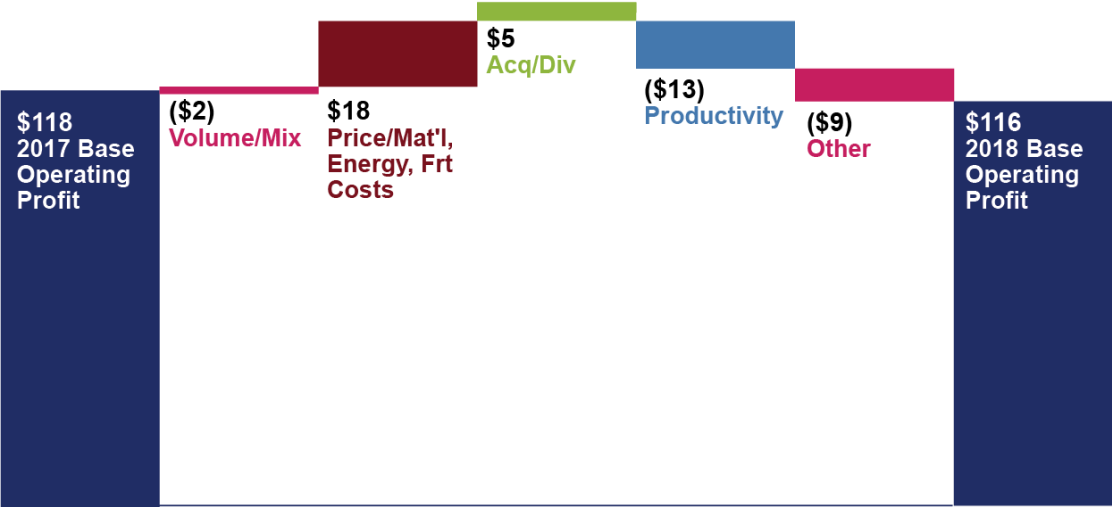
**Sales Bridge**  
YTD: 2017 Vs. 2018  
(Dollars in millions)



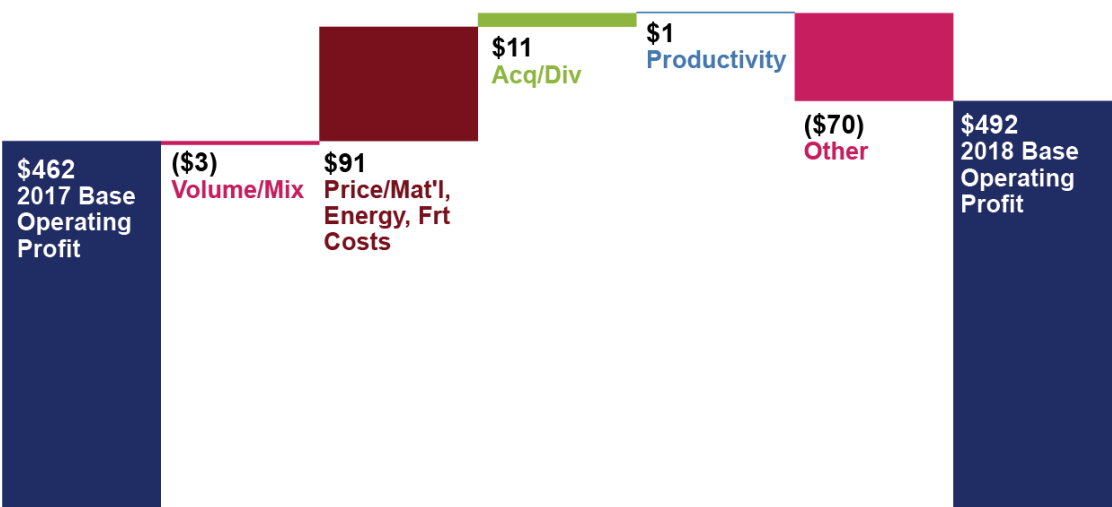
# Base Operating Profit Bridge

Fourth Quarter: 2018 Vs. 2017 (Dollars in millions)

Base Operating Profit Bridge  
4th Quarter: 2018 Vs. 2017  
(Dollars in millions)



Base Operating Profit Bridge  
YTD: 2017 Vs. 2018  
(Dollars in millions)



# Segment Analysis

Fourth Quarter: 2018 Vs. 2017 (Dollars in thousands)

	NET SALES			BASE OPERATING PROFIT		
	2018	2017	% Chg	2018	2017	% Chg
Consumer Packaging	\$ 573,931	\$ 554,234	3.6%	\$ 43,733	\$ 67,001	(34.7)%
Display & Packaging	141,227	142,429	(0.8)%	8,426	(4,062)	>100.0%
Paper & Ind Conv Prods	512,415	471,105	8.8%	55,893	45,608	22.6%
Protective Solutions	128,043	131,250	(2.4)%	8,163	9,087	(10.2)%
	<u>\$ 1,355,616</u>	<u>\$ 1,299,018</u>	<u>4.4%</u>	<u>\$ 116,215</u>	<u>\$ 117,634</u>	<u>(1.2)%</u>
				OPERATING PROFIT AS % OF SALES		MARGIN CHANGE
Consumer Packaging				7.6%	12.1%	(4.5)%
Display & Packaging				6.0%	(2.9)%	8.9%
Paper & Ind Conv Prods				10.9%	9.7%	1.2%
Protective Solutions				6.4%	6.9%	(0.5)%
				<u>8.6%</u>	<u>9.1%</u>	<u>(0.5)%</u>

# Base Earnings Guidance

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
2017 Base EPS	\$0.59	\$0.71	\$0.76	\$0.72	\$2.79
2018 Base EPS	\$0.74	\$0.93	\$0.86	\$0.84	\$3.37
2019 Guidance	\$0.77 - \$0.83				\$3.47 - \$3.57



# Operating Cash Flow

Year to date: 2018 Vs. 2017 (Dollars in thousands)

## 2019 Guidelines

### Operating Cash Flow:

\$600 million to \$620 million

### Free Cash Flow:

\$225 million to \$245 million

\*Free Cash Flow is defined as cashflow from operations minus capital expenditures and cash dividends

	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Net Income	\$ 314,739	\$ 177,447
Depreciation, depletion and amortization	\$ 236,245	\$ 217,625
Changes in working capital	\$ 27,663	\$ (55,614)
Non-cash pension expense	\$ 34,885	\$ 78,506
Pension contributions	\$ (25,373)	\$ (108,579)
Other operating activity	\$ 1,739	\$ 38,869
<b>Operating Cash Flow</b>	<b>\$ 589,898</b>	<b>\$ 348,254</b>
Capital Expenditures, net of dispositions	\$ (168,286)	\$ (183,642)
Cash Dividends	\$ (161,434)	\$ (153,137)
<b>Free Cash Flow</b>	<b>\$ 260,178</b>	<b>\$ 11,475</b>
Cost of acquisitions, net of cash acquired	\$ (277,177)	\$ (383,725)
Net debt proceeds / (repayments)	\$ (58,377)	\$ 355,191

# Balance Sheet

(Dollars in thousands)

	12/31/2018	12/31/2017	Change \$
Cash and cash equivalents	\$ 120,389	\$ 254,912	\$ (134,523)
Trade accounts receivable, net of allowances	737,420	725,251	12,169
Other receivables	111,915	64,561	47,354
Inventories	493,764	474,063	19,701
Prepaid expenses and deferred income taxes	55,784	44,849	10,935
Current Assets	\$ 1,519,272	\$ 1,563,636	\$ (44,364)
Property, plant and equipment, net	1,233,821	1,169,377	64,444
Goodwill	1,309,167	1,241,875	67,292
Other intangible assets, net	352,037	331,295	20,742
Other assets	169,168	251,538	(82,370)
Total Assets	\$ 4,583,465	\$ 4,557,721	\$ 25,744
Payable to suppliers and others	878,969	831,664	47,305
Income taxes payable	8,516	8,979	(463)
Total debt	1,385,162	1,447,329	(62,167)
Pension and other postretirement benefits	374,419	355,187	19,232
Deferred income taxes and other	164,121	184,502	(20,381)
Total equity	1,772,278	1,730,060	42,218
Total Liabilities and Shareholders' Equity	\$ 4,583,465	\$ 4,557,721	\$ 25,744
Net debt / Total capital	41.6%	40.8%	
Net debt = Total debt minus cash and cash equivalents			
Total capital = Net debt plus total equity			



# Appendix

# P&L Summary (Base)

Year to date: 2018 Vs. 2017 (Dollars in thousands)

	2018	2017	Better / (Worse)	
			\$	%
Net sales	\$ 5,390,938	\$ 5,036,650	\$ 354,288	7.0%
Cost of sales	(4,349,932)	(4,077,998)	(271,934)	(6.7)%
Gross profit	1,041,006	958,652	82,354	8.6%
Selling, general and administrative expenses	(549,186)	(496,313)	(52,873)	(10.7)%
Operating profit	491,820	462,339	29,481	6.4%
Non-operating pension costs (income)	199	12,349	(12,150)	98.4%
Net interest	(58,157)	(52,745)	(5,412)	(10.3)%
Income before income taxes	433,464	397,245	36,219	9.1%
Provision for income taxes	(102,700)	(123,371)	20,671	16.8%
Income before equity in earnings of affiliates	330,764	273,874	56,890	20.8%
Equity in earnings of affiliates, net of tax	11,216	10,063	1,153	11.5%
Net income	341,980	283,937	58,043	20.4%
Noncontrolling interests	(1,370)	(2,173)	803	37.0%
Net income attributable to Sonoco	\$ 340,610	\$ 281,764	\$ 58,846	20.9%
EPS diluted	\$ 3.37	\$ 2.79	\$ 0.58	20.8%
Gross profit %	19.3%	19.0%		
SG&A %	10.2%	9.9%		
OP %	9.1%	9.2%		
OPBDA %	13.5%	13.4%		
Effective tax rate	23.7%	31.1%		

# Segment Analysis

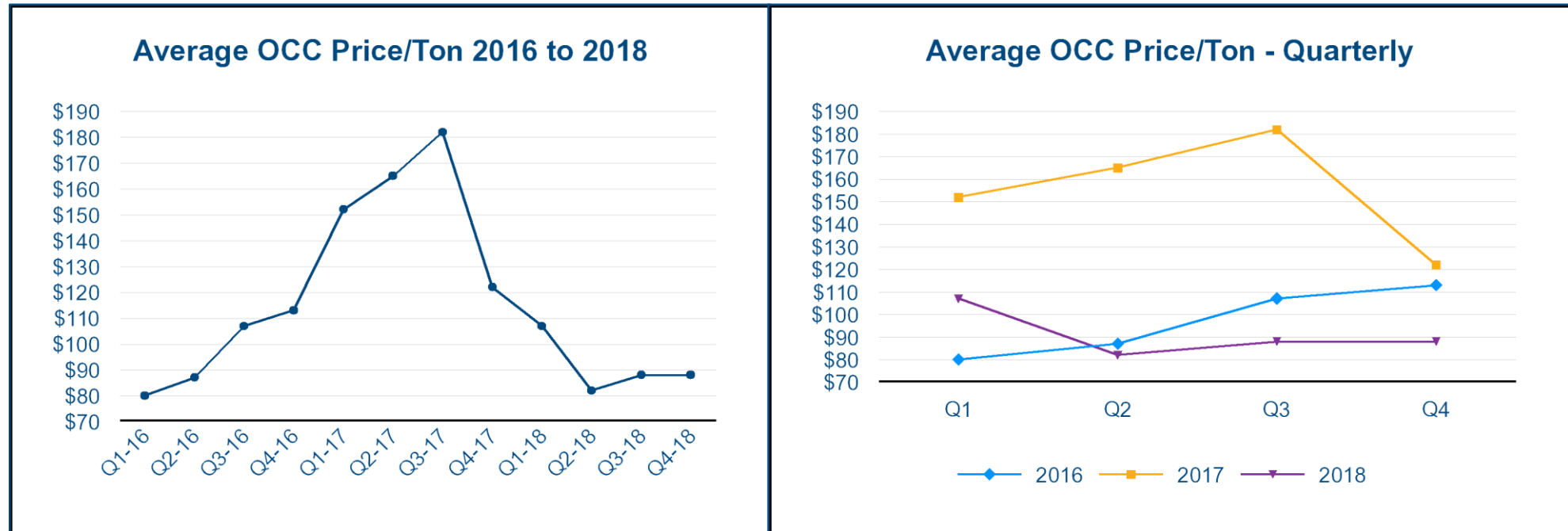
Year to date: 2018 Vs. 2017 (Dollars in thousands)

	NET SALES			SEGMENT OPERATING PROFIT		
	2018	2017	% Chg	2018	2017	% Chg
Consumer Packaging	\$ 2,359,999	\$ 2,123,465	11.1%	\$ 224,505	\$ 255,759	(12.2)%
Display & Packaging	592,309	508,236	16.5%	13,291	2,632	>100.0%
Paper & Ind Conv Prods	1,910,953	1,866,180	2.4%	211,122	161,591	30.7%
Protective Solutions	527,677	538,769	(2.1)%	42,902	42,357	1.3%
	<u>\$ 5,390,938</u>	<u>\$ 5,036,650</u>	<u>7.0%</u>	<u>\$ 491,820</u>	<u>\$ 462,339</u>	<u>6.4%</u>

	OPERATING PROFIT AS % OF SALES		MARGIN CHANGE
Consumer Packaging	9.5%	12.0%	(2.5)%
Display & Packaging	2.2%	0.5%	1.7%
Paper & Ind Conv Prods	11.0%	8.7%	2.3%
Protective Solutions	8.1%	7.9%	0.2%
	<u>9.1%</u>	<u>9.2%</u>	<u>(0.1)%</u>

# OCC – Official Board Market

4th Quarter: 2018 Vs. 2017 Vs. 2016 (Price/Ton)

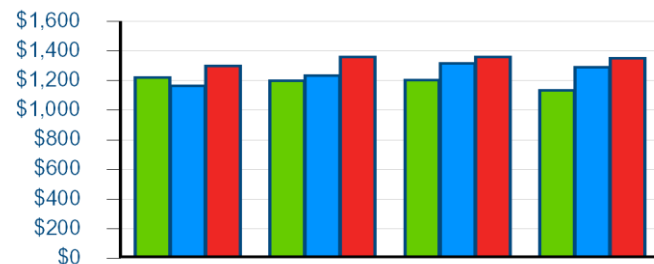


	1st Quarter				2nd Quarter				3rd Quarter				4th Quarter			
	J	F	M	Avg	A	M	J	Avg	J	A	S	Avg	O	N	D	Avg
2016	80	80	80	80	80	85	95	87	100	110	110	107	110	110	120	113
2017	125	145	185	152	175	155	165	165	185	185	175	182	135	115	115	122
2018	115	110	95	107	85	80	80	82	85	90	90	88	90	90	85	88

# Base Results

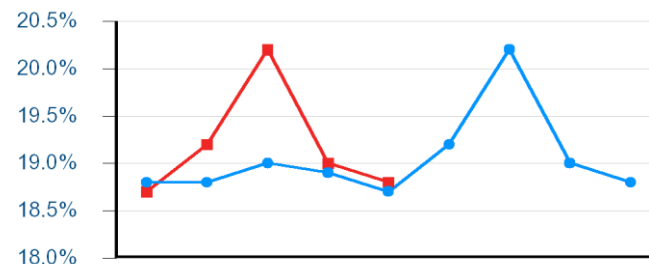
4th Quarter: 2018 Vs. 2017 Vs. 2016

## Net Sales \$MM



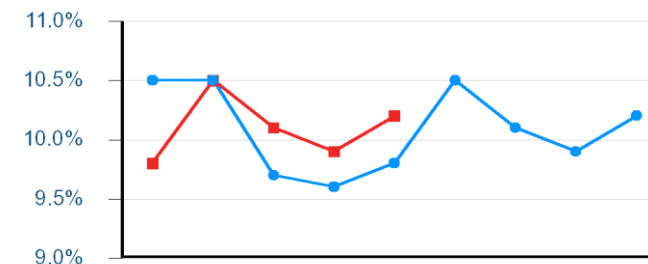
	1Q	2Q	3Q	4Q	Total
2016	\$1,226	\$1,206	\$1,209	\$1,142	\$4,783
2017	\$1,172	\$1,241	\$1,325	\$1,299	\$5,037
2018	\$1,304	\$1,366	\$1,365	\$1,356	\$5,391

## Gross Profit %



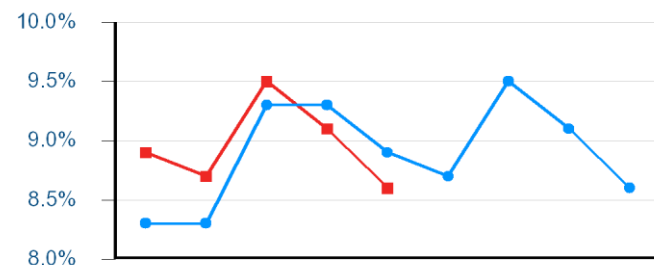
	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17	1Q-18	2Q-18	3Q-18	4Q-18
Hist	18.8%	18.8%	19.0%	18.9%	18.7%	19.2%	20.2%	19.0%	18.8%
Vs PY	18.7%	19.2%	20.2%	19.0%	18.8%				

## S&A/OIC %



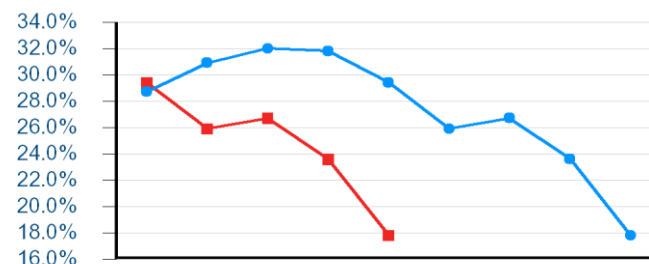
	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17	1Q-18	2Q-18	3Q-18	4Q-18
Hist	10.5%	10.5%	9.7%	9.6%	9.8%	10.5%	10.1%	9.9%	10.2%
Vs PY	9.8%	10.5%	10.1%	9.9%	10.2%				

## Base Operating Profit %



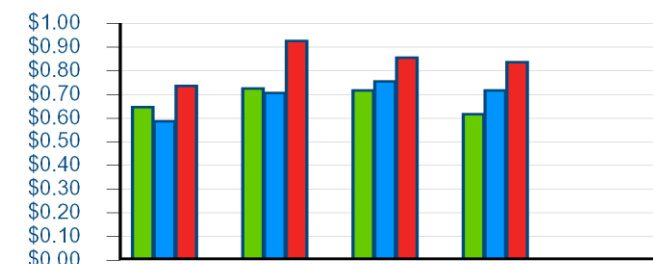
	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17	1Q-18	2Q-18	3Q-18	4Q-18
Hist	8.3%	8.3%	9.3%	9.3%	8.9%	8.7%	9.5%	9.1%	8.6%
Vs PY	8.9%	8.7%	9.5%	9.1%	8.6%				

## Tax Rate %



	4Q-16	1Q-17	2Q-17	3Q-17	4Q-17	1Q-18	2Q-18	3Q-18	4Q-18
Hist	28.7%	30.9%	32.0%	31.8%	29.4%	25.9%	26.7%	23.6%	17.8%
Vs PY	29.4%	25.9%	26.7%	23.6%	17.8%				

## Base EPS \$



	1Q	2Q	3Q	4Q	Total
2016	\$0.65	\$0.73	\$0.72	\$0.62	\$2.72
2017	\$0.59	\$0.71	\$0.76	\$0.72	\$2.79
2018	\$0.74	\$0.93	\$0.86	\$0.84	\$3.37