



# Grow & Optimize

**Sonoco Products Company**

New York Analyst Meeting  
December 2, 2016



# Strategic Review Agenda

*Jack Sanders, President and CEO*

## **Corporate Overview**

2016 Scorecard

Grow & Optimize Strategy Update

## **Consumer Packaging Outlook**

Expand & Optimize Composite Cans

Flexible Packaging Growth

Plastics Evolution

Display and Packaging

## **Protective Solutions Outlook**

Consumer Durables and Molded Components

ThermoSafe

## **Paper and Engineered Carriers Outlook**

Global Paper

Global Tubes and Cores

*Barry Saunders, Senior Vice President and CFO*

## **Financial Review and Outlook**

2016 Outlook

Long-Term Outlook

Capital Structure

Free Cash Flow Outlook

## **2017 Priorities**

Where We'll Focus

Capital Deployment

Long-Term Outlook

## **Fireside Chat**



# 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 for Q3 2016 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.



# Grow & Optimize

**Jack Sanders**

President and Chief Executive Officer



# Key Focus Area Scorecard – 2016

Safety		CY YTD Injuries	CY Target Rate	PY FY Incident Rate	CY YTD Incident Rate
		81	0.37	0.47	0.41

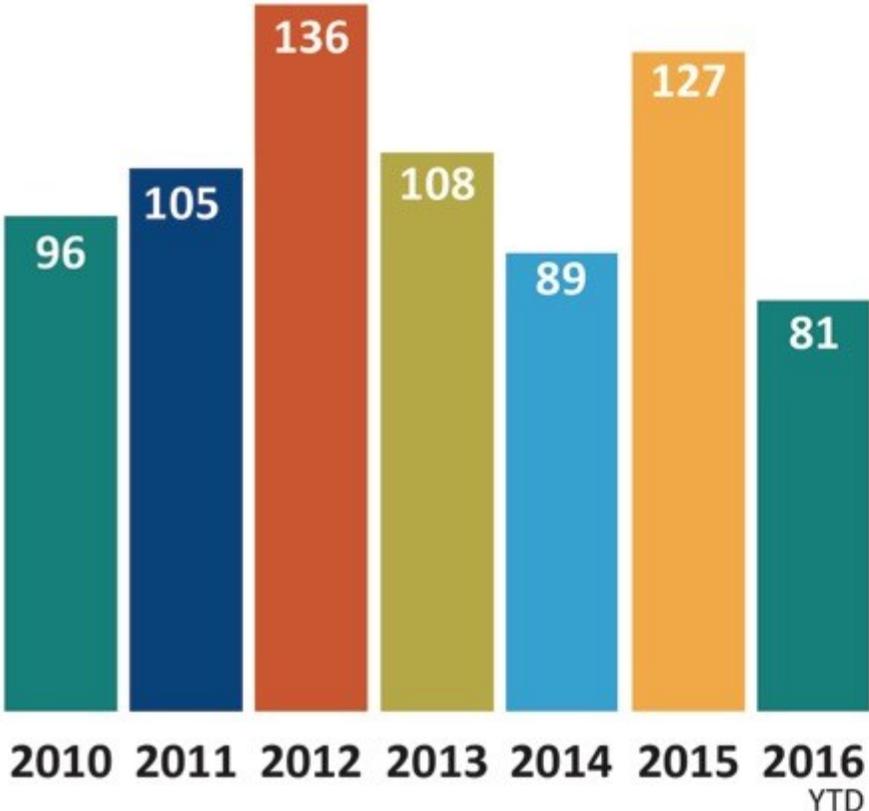
NWC Days		CY QTD Actual	CY Target	PY Actual	vs. Target
		45.2	44.8	45.2	-0.4

External Failure Cost Credits/\$MM Sales		CY QTD Actual	CY YTD Target	PY FY Actual	vs. Target
		\$1,653	\$1,472	\$1,861	\$181

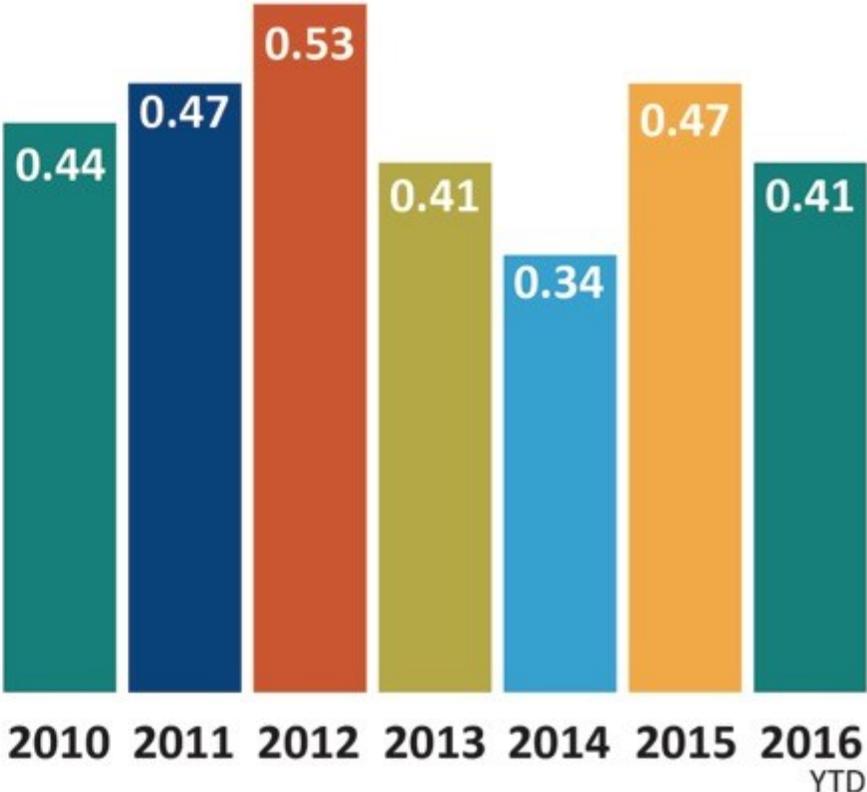
Total Productivity (\$MMs)		QTD	CY Actual	CY Target	vs. Target
			\$70.8	\$63.1	\$7.7

# Safety

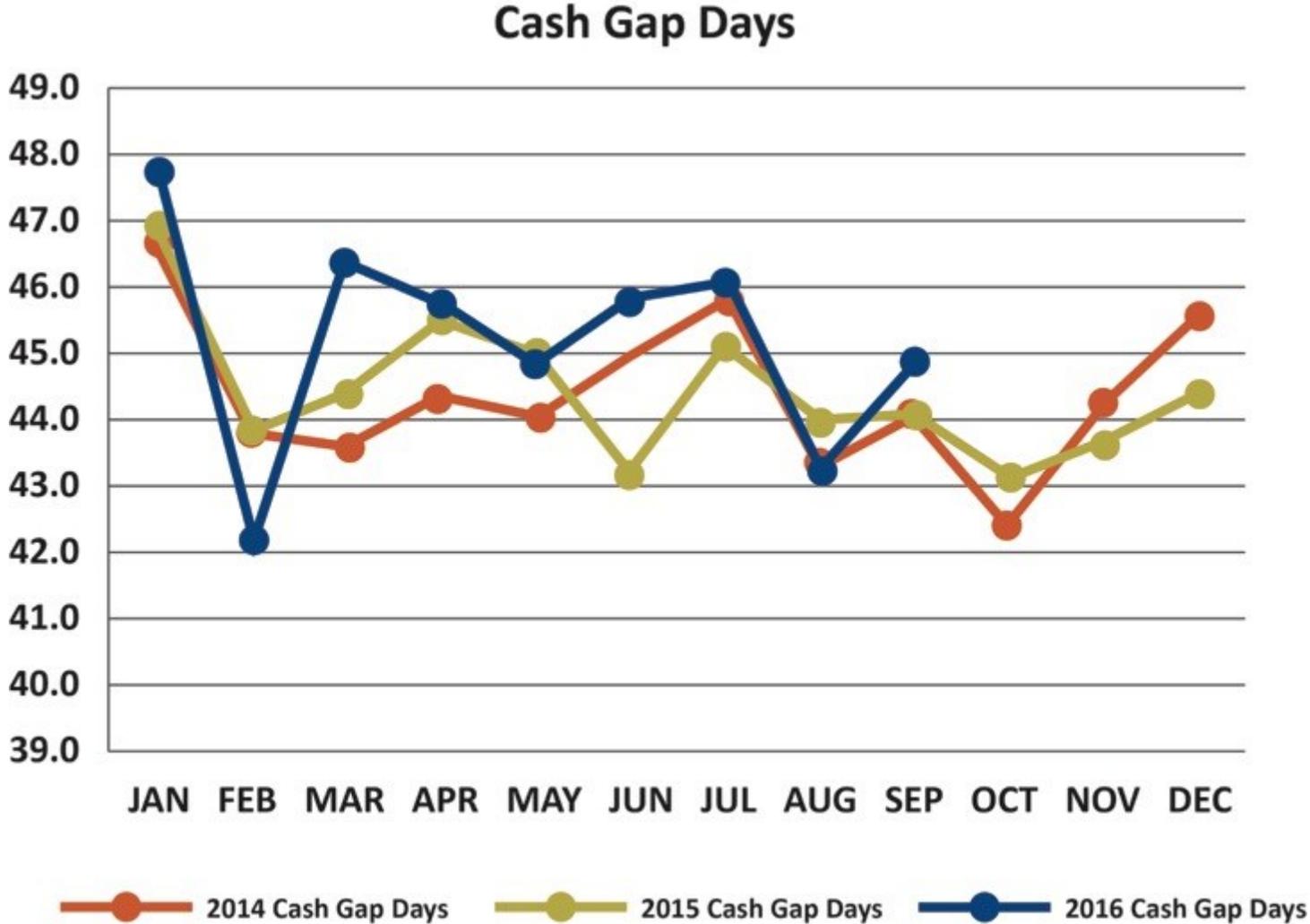
2016 Number of Injuries to Date: 81



2016 Injuries Rate to Date: 0.41

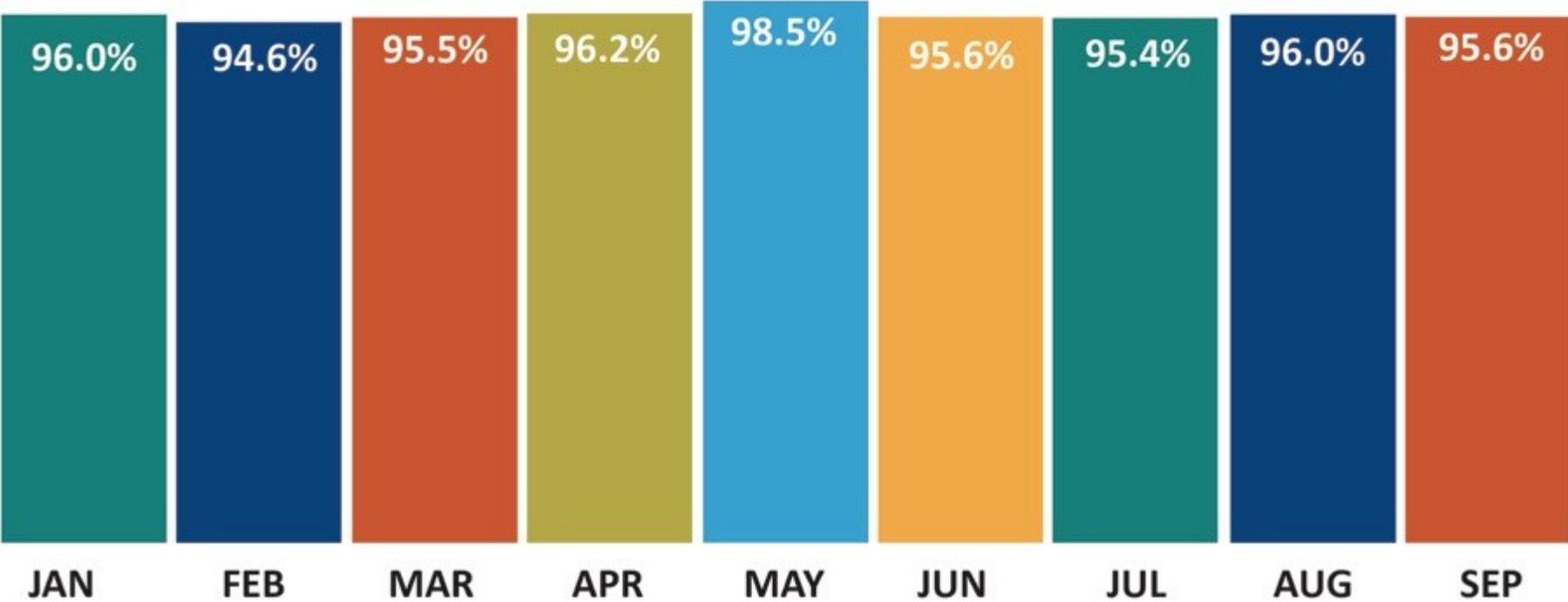


# Net Working Capital Days

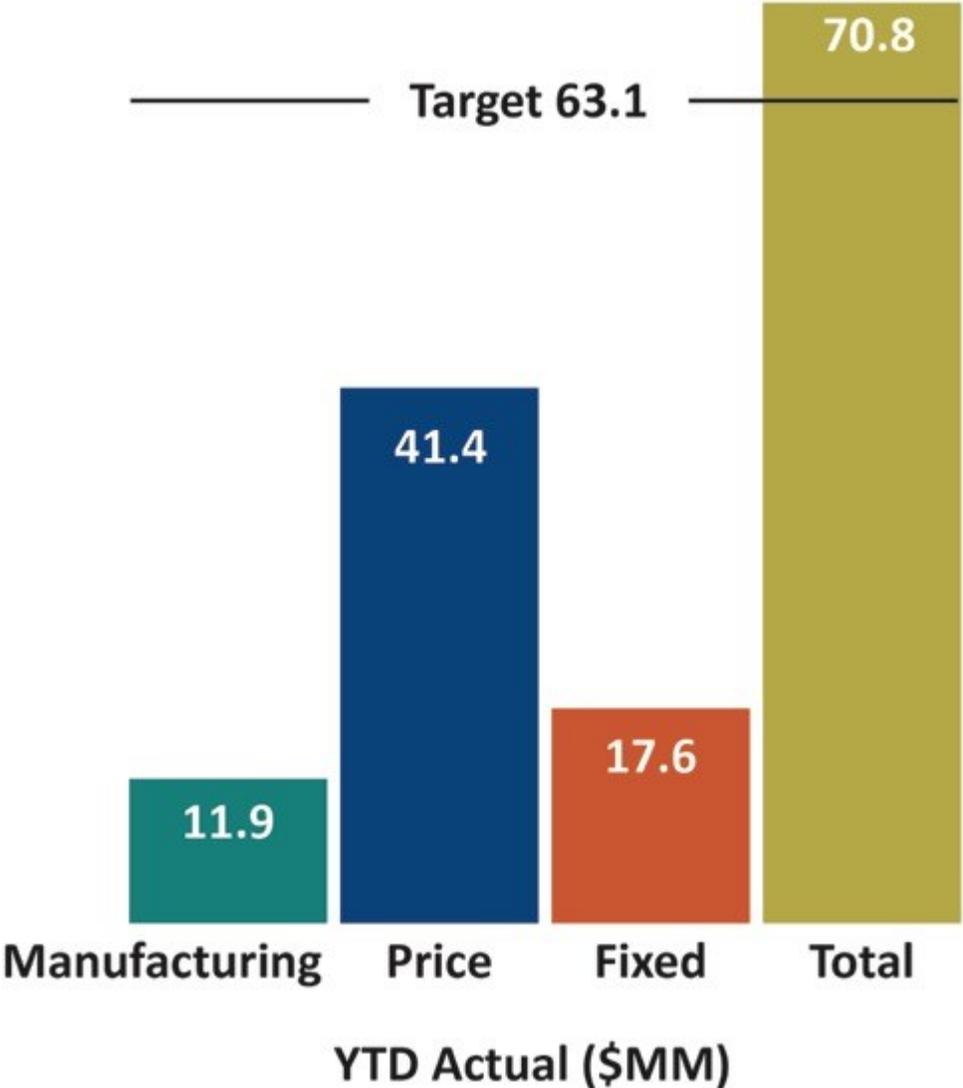


# Customer Satisfaction

On-Time, In Full Performance



# Total Productivity



# The State of Sonoco is Strong

Grow and Optimize in a Divergent Global Economy (\$Million)

	2016 YTD	2015	2014*
Sales	\$1,558	\$2,123	\$1,963
Base EBIT	\$186.1	\$231.6	\$200.6



	2016 YTD	2015	2014*
Sales	\$407	\$606	\$667
Base EBIT	\$13.5	\$10.9	\$10.7

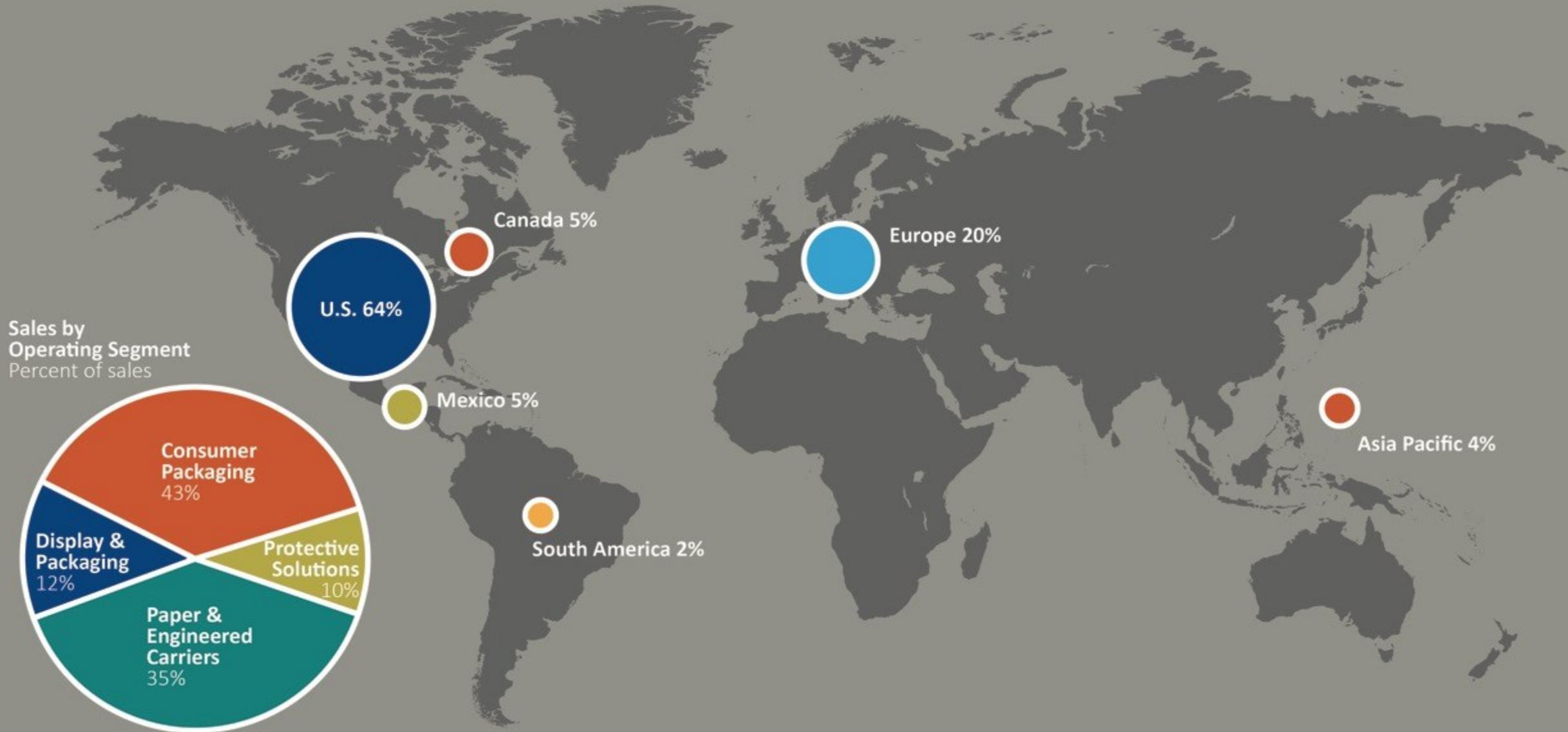
	2016 YTD	2015	2014*
Sales	\$1,281	\$1,730	\$1,902
Base EBIT	\$104	\$124.1	\$162.2

	2016 YTD	2015	2014*
Sales	\$394	\$506	\$485
Base EBIT	\$38.8	\$46.0	\$34.0

\* Amounts have been restated to correct prior-year misstatements

# Sonoco Today

## 2015 Sales Geography



# Mission

Become the acknowledged leader in high-quality, innovative, value-creating packaging solutions that “Satisfy the Customer”

Be a GREAT company for our stakeholders through an unwavering belief that “People Build Businesses” by doing the right thing

- Maximize sustainable cash flow from operations
- Grow our consumer packaging and protective solutions businesses and our industrial businesses in emerging markets
- Optimize the portfolio



- Ideation and innovation
- Insights and market alignment
- Quality and service excellence
- Manufacturing excellence
- Supply chain excellence

- Target average annual double-digit total return to shareholders
- Sales of \$6 to \$8 billion – Organic volume growth above packaging industry average
- Operating margin of 9% to 10%
- Return on invested capital in top quartile of packaging industry – RONAE = 11% to 12%
- Maintain investment grade credit rating

## Key Focus Areas



### Safety

Create a zero-injury environment



### Customer Satisfaction

Value-creating solutions  
On time and to specification  
Voice of Customer



### Grow and Optimize

Insights  
Innovation  
Share/Profit optimization



### Operational Excellence

Productivity  
Reduce unit cost to produce—  
Sonoco Performance System  
Optimal supply chain



### Maximize Cash Flow and Deployment

Working capital management  
Optimize capital investments  
Grow dividends  
Acquisitions  
Share repurchase



### People

Talented  
Engaged  
Aligned

# Financial Priorities, Updated



## Financial Priorities

- Target average annual double-digit total return to shareholders
- Sales of **\$6 to \$8 billion** – Organic volume growth above packaging industry average
- Operating margin of **9% to 10%**
- Return on invested capital in top quartile of packaging industry – RONA = 11% to 12%
- Maintain investment grade credit rating

# Strength of Our Grow & Optimize Strategy

## Why Invest in Sonoco?

- Strong global diversified packaging solutions company
- Strong balance sheet, free cash flow
- Leader in composite cans and tubes and cores
- Growing in Consumer Packaging and Protective Solutions
- Positioning the portfolio to provide consistent earnings and improved returns
- Cash returned to shareholders



# Consumer Growth Strategy

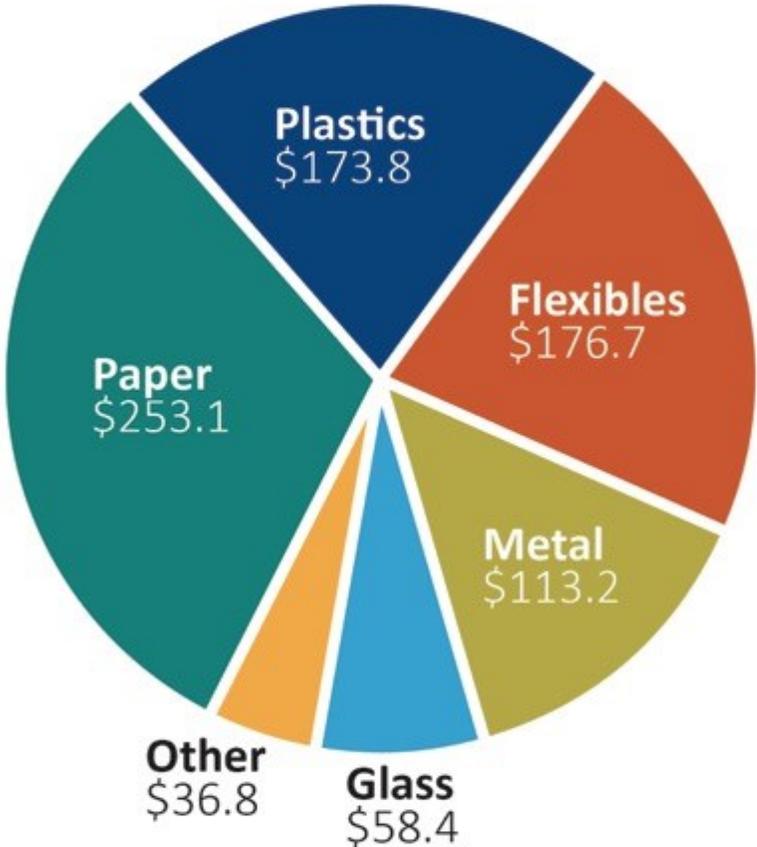


Global Consumer Packaging 2015 Sales  
\$2,728 MM

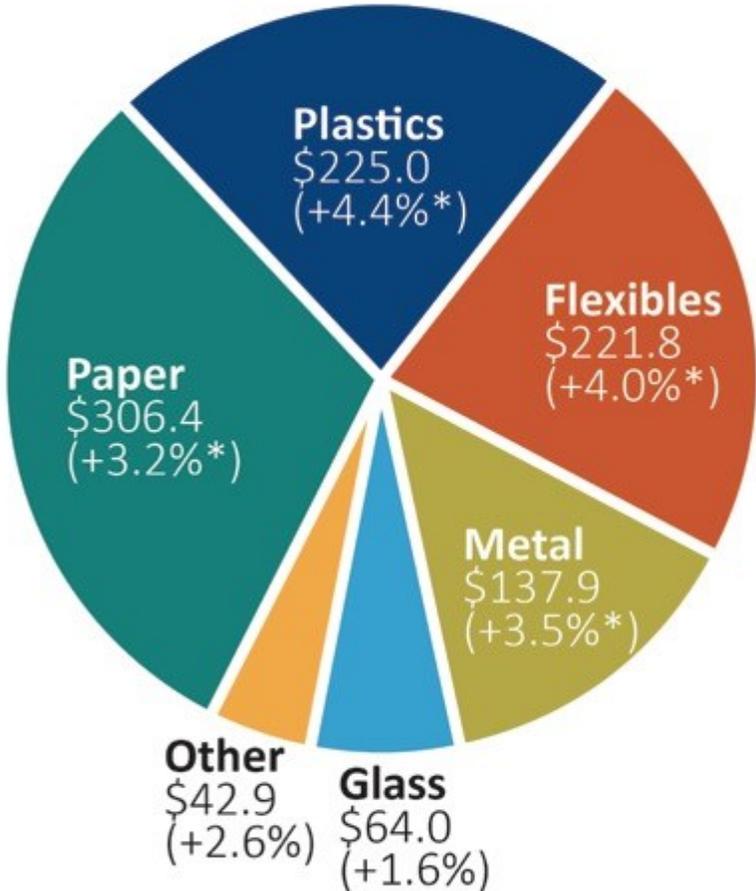


# Global Consumer Packaging Market - \$1 Trillion by 2020

2014 Total: \$812 Billion



2020 Projected: \$998 Billion



\*CAGR

Source: Smithers Pira, The Future of Global Packaging to 2020

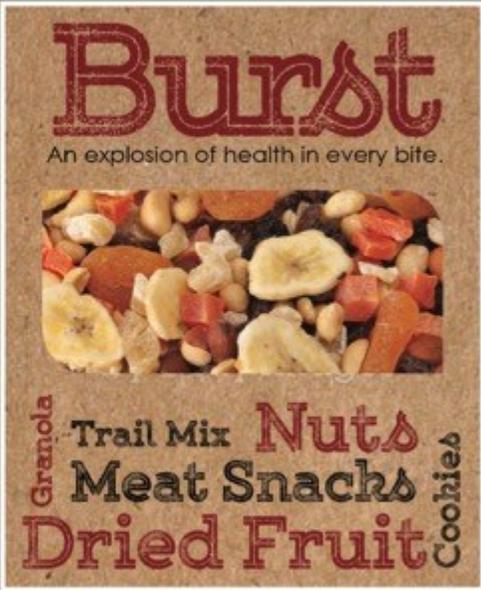
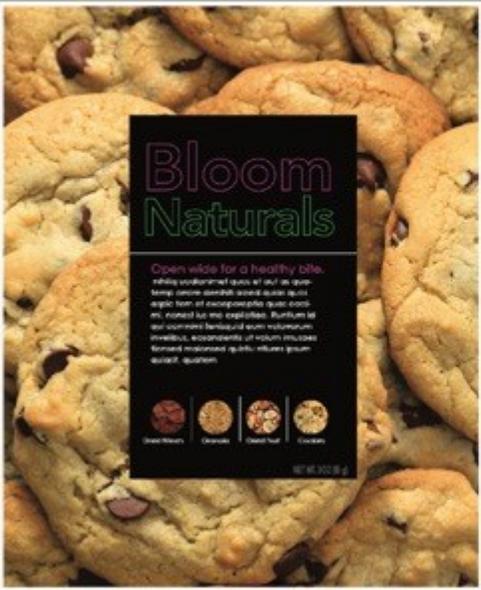
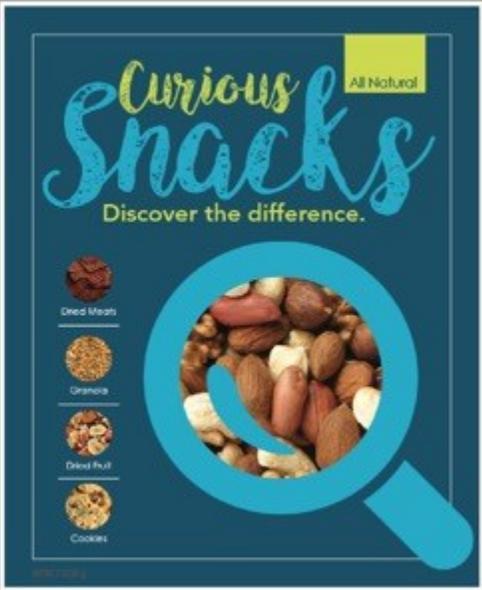
# Packaging Trends: Changing Consumer Behavior



# Packaging Trends: Micro-Brands Mean Big Business

\$18 Billion  
Sales Shift

4% CAGR



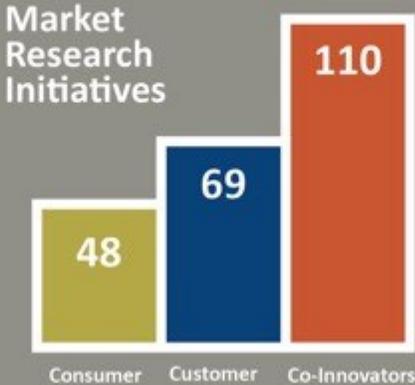
# Innovation: An Engine for Growth

iPS Studio



96

Consumer Intellectual Property Activity



300

Active Trials

\$250MM  
Organic Sales Growth



Big Bets

# Expand and Optimize Composite Cans



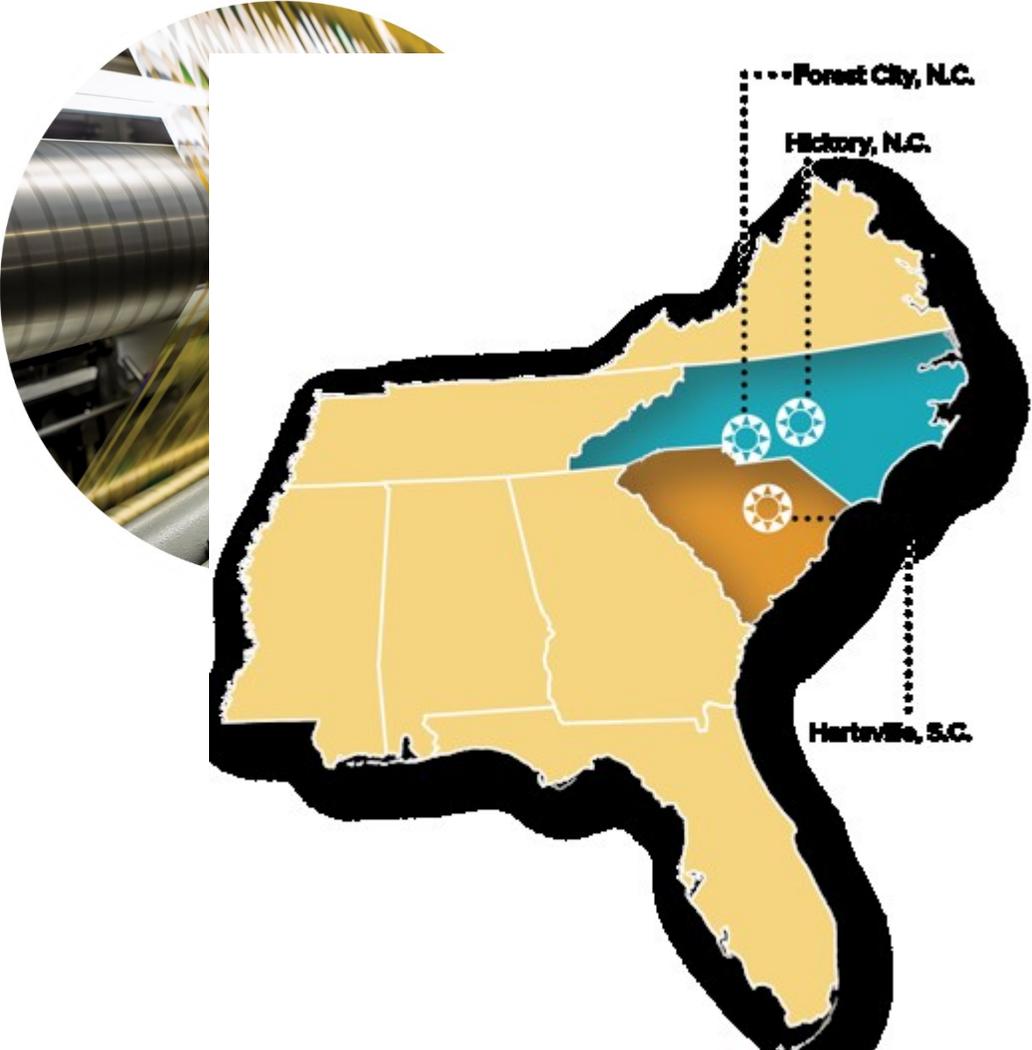
# Expand the Can: Asia and Rest of World

- 30% growth in Southeast Asia in 2016
- Considering expansion into South America and Africa



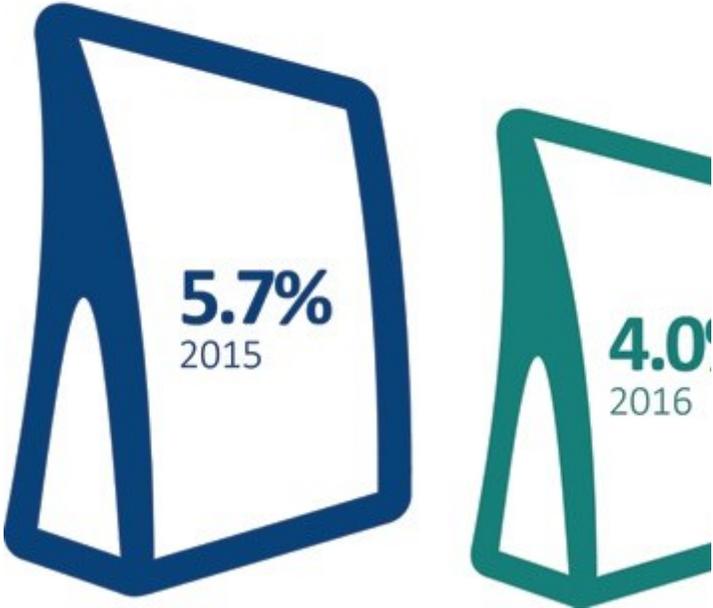
# Flexible Packaging Growth

Sonoco Acquisition of Plastic Packaging Inc.



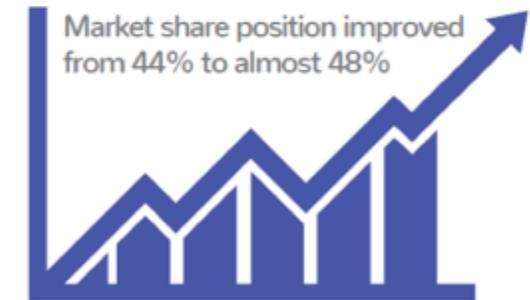
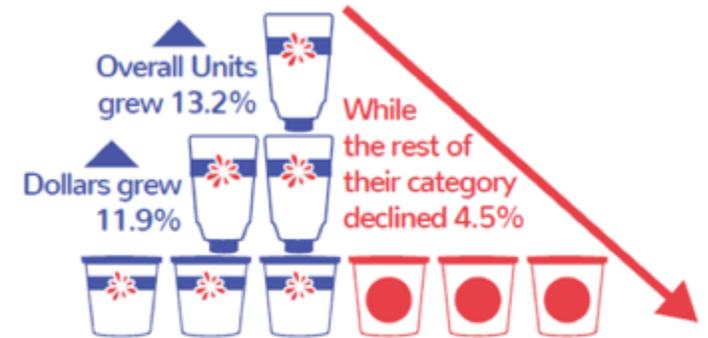
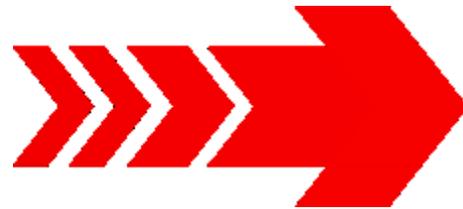
# Grow Flexible Packagi

Organic Volume Growth



# Grow Flexible Packaging: Inverted Pouch

Revolutionary Pouch Design Improves Consumer Experience



Source: IRI DATA Total US - Multi Outlet  
Latest 52-week ending 07-10-16

# Evolve and Grow Plastics

Total sales: \$500 million

- Thermoforming
- Injection Molding
- Extrusion



The TruVue™ Can

Clearly Uncanny.  
Truly Revealing.



# GLORY

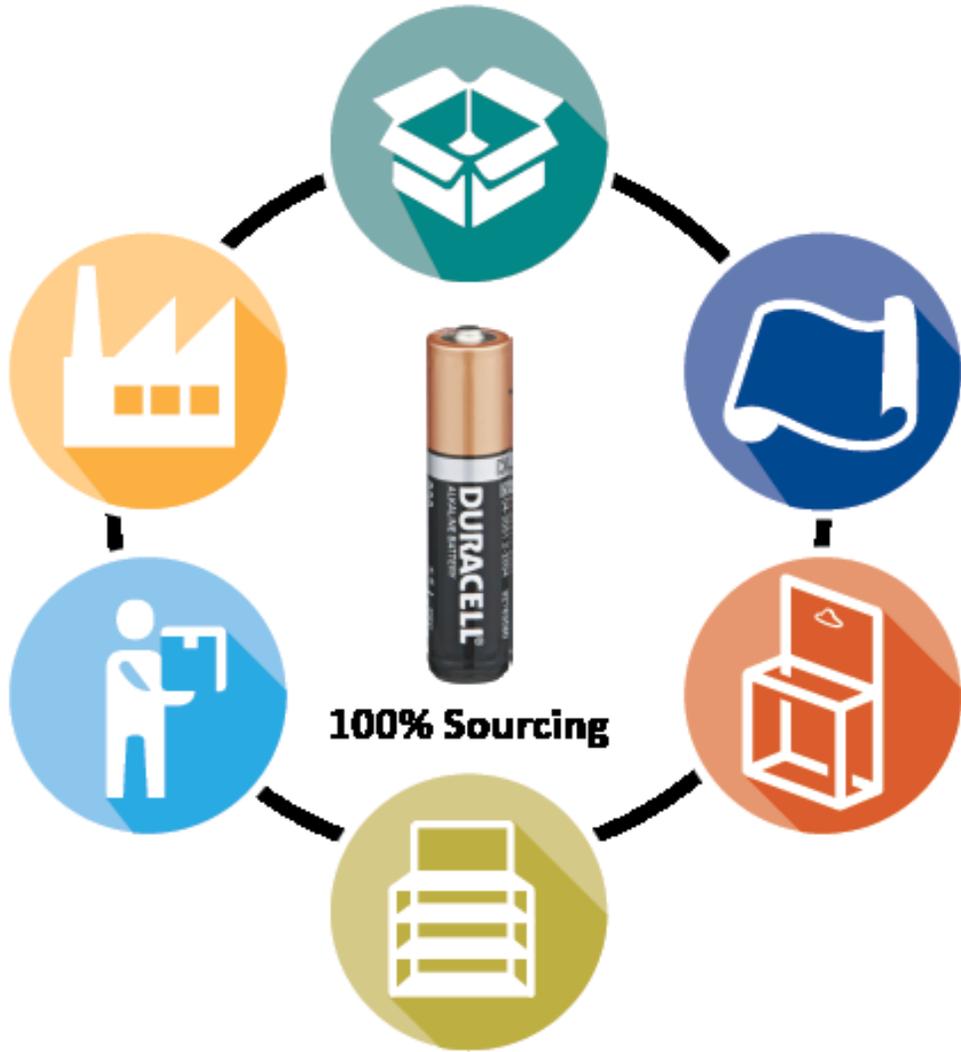


# Display & Packaging

Rebuild and Grow

- 25 global locations
- Operating profit up 85%

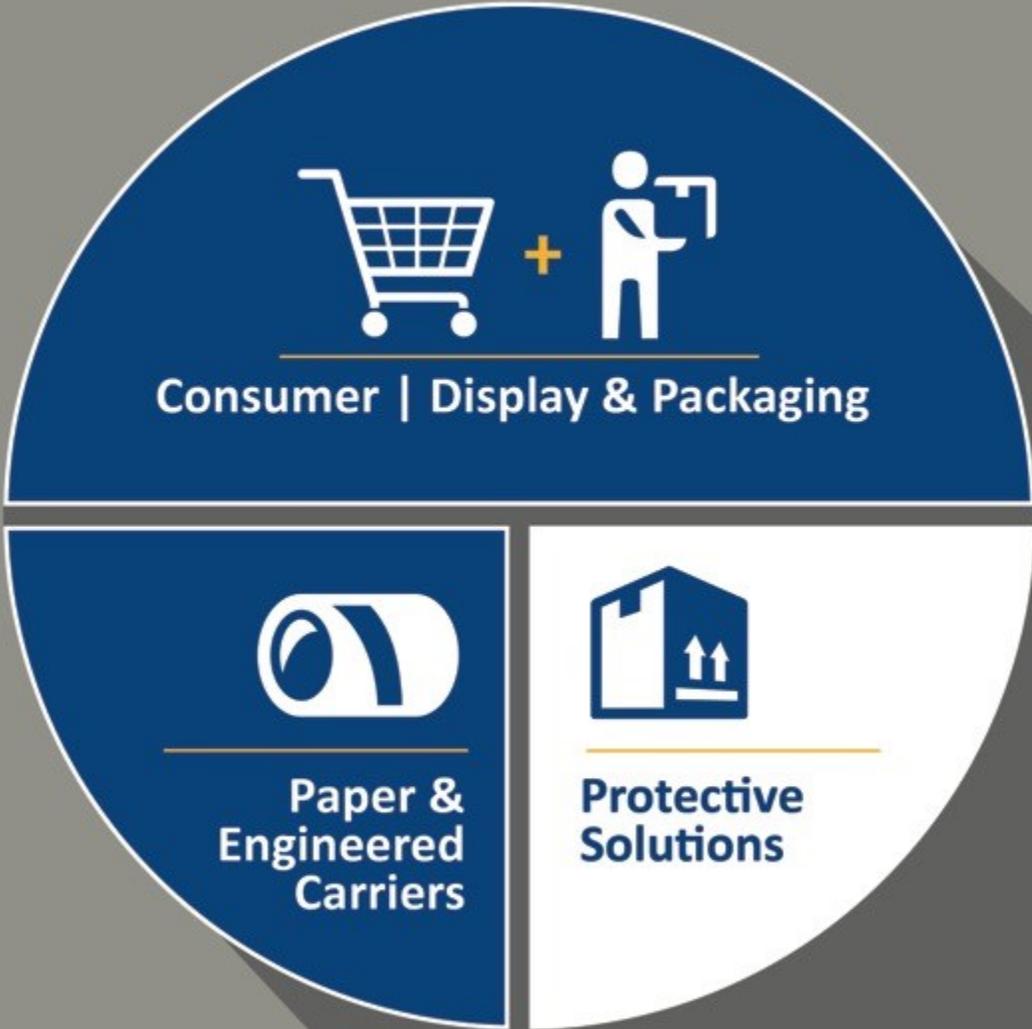
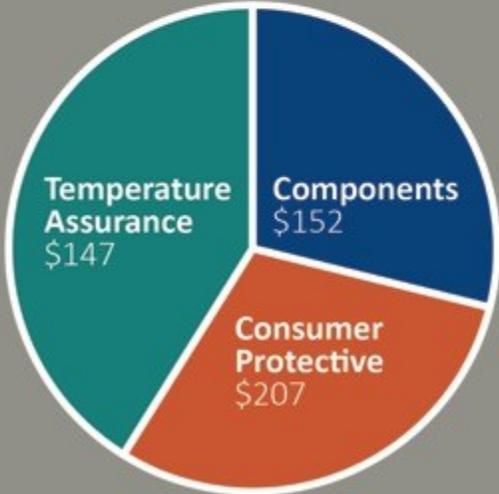




# Protective Solutions Strategy



Protective Solutions 2015 Sales  
\$506MM



# Consumer Durables and Molded Foam Components



# Grow ThermoSafe Globally

- Volume up 6% in 2016
- Global market growth 7% per year
- Acquisitions adding \$20 million in sales



Active

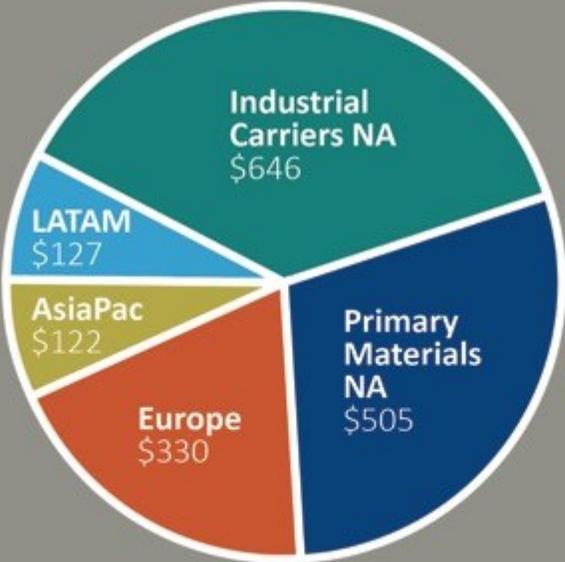


Passive

# Paper & Engineered Carriers Strategy



2015 Global Paper and Engineered Carriers  
\$1,730 MM



# Optimize Global

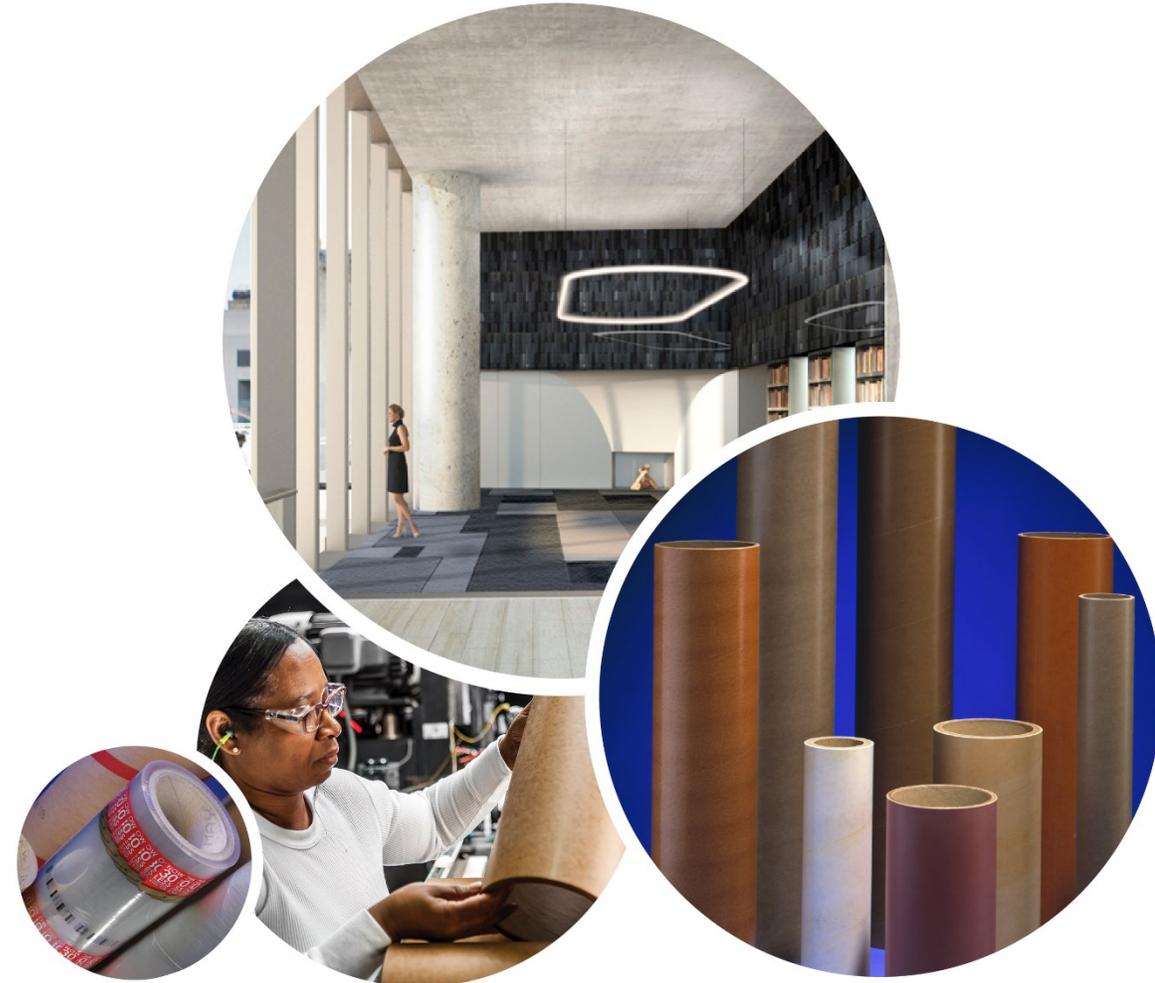
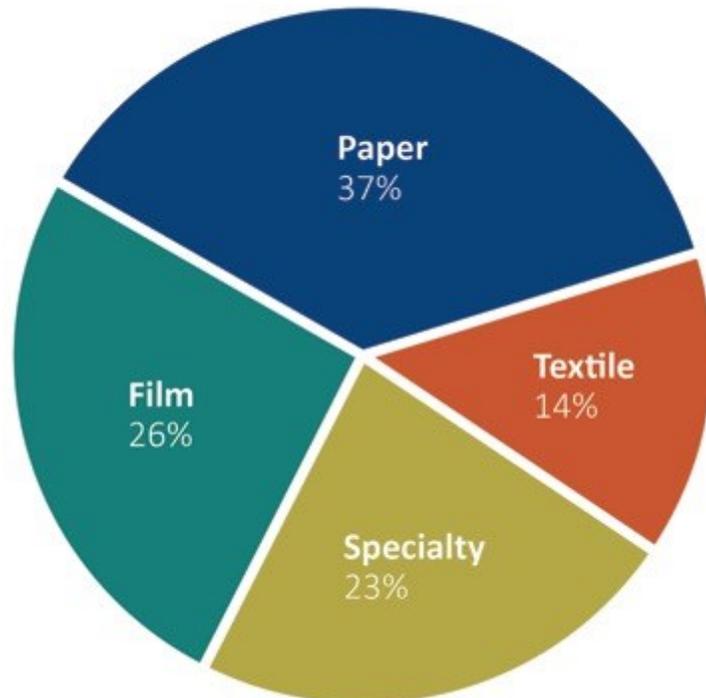
- Transition corrugated
- Grow URB product
- Rebuild recycling



# Optimize to Grow Global Tubes & Cores

- Optimize footprint
- Technology improvement to
- Productivity improvements

Primary Served Markets by Volume





# Grow & Optimize

## Financial Review and Outlook

Barry Saunders

Senior Vice President and Chief Financial Officer



# YTD 3Q 2016 Financial Performance

(\$ Millions except Base EPS)

	YTD 2016	YTD 2015	Better/(Worse)	
			\$	%
Net Sales	3,641	3,698	(57)	(1.5)
EBIT, Base	342	309	33	10.7
Net Income, Base Attributable to Sonoco	215	191	24	12.3
EPS, Base - Diluted	2.11	1.87	0.24	12.8

# 4Q and 2016 Base EPS Guidance Update

YTD 3Q 2016 Base EPS Results | **\$2.11**

Previous 4Q 2016 Base EPS Guidance | **\$0.60 to \$0.65**

Previous Full-Year 2016 Base EPS Guidance | **\$2.70 to \$2.75**

**Company maintains 4Q and 2016 Base EPS guidance**

# 2017 Key Base Earnings Assumptions

- Volume/mix growth projected at 2%
- Material cost changes mix
  - OCC projected to be \$95/ton for the year
  - Resin prices expected to increase by 5% on average
- Manufacturing productivity to more than offset other inflationary costs (wages, benefits, etc.)
- Increased depreciation due to continued investment in Consumer businesses
- Pension expense projected to increase by \$2.2 million year over year or \$0.01 per share
  - Based on interest rates and asset values as of mid-November 2016
  - Reduction in assumed rate of return on pension assets from a weighted average of 7.5% to 6.5%
- Slightly lower interest expense due to decline in total debt
- Base effective tax rate increased to 32.2% due to change in geographic mix of earnings
- Mexican peso and British pound projected to weaken further in 2017 against USD while other major currencies to stay relatively stable

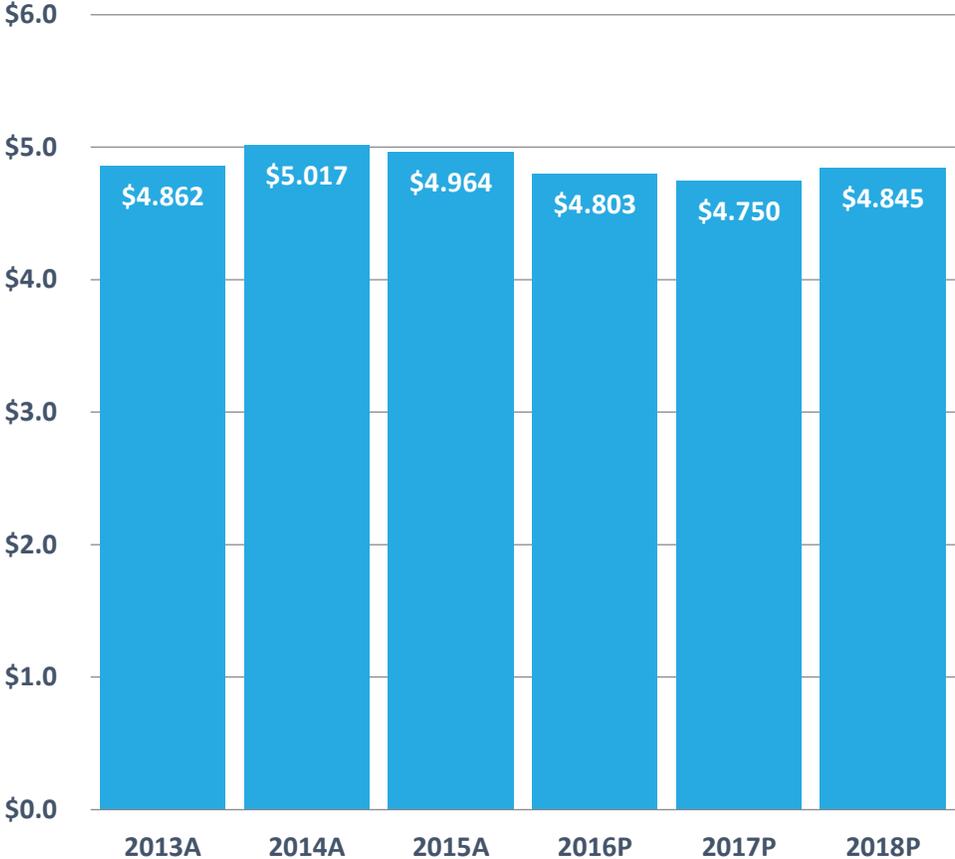
# 2017 Base EPS Bridge

	Increase (Decrease) to Base EPS
<b>2016 Forecast</b>	<b>\$2.72</b>
Net Divestitures/Acquisitions	(\$0.08)
Volume/Mix	\$0.11
Price Net of Material, Energy and Freight Costs	(\$0.01)
Productivity Net of Other Inflation and Cost Changes	\$0.07
All Other	(\$0.00)
Depreciation	(\$0.05)
Pension	(\$0.01)
FX	(\$0.01)
Interest/Shares/EiA and MinInt	\$0.03
Tax	(\$0.04)
<b>2017 Total before Share Repurchase</b>	<b>\$2.73</b>
Share Repurchase	\$0.10
<b>2017 Total with Share Repurchase</b>	<b>\$2.83</b>
<b>2017 Base EPS Range before Share Repurchase</b>	<b>\$2.68 to \$2.78</b>

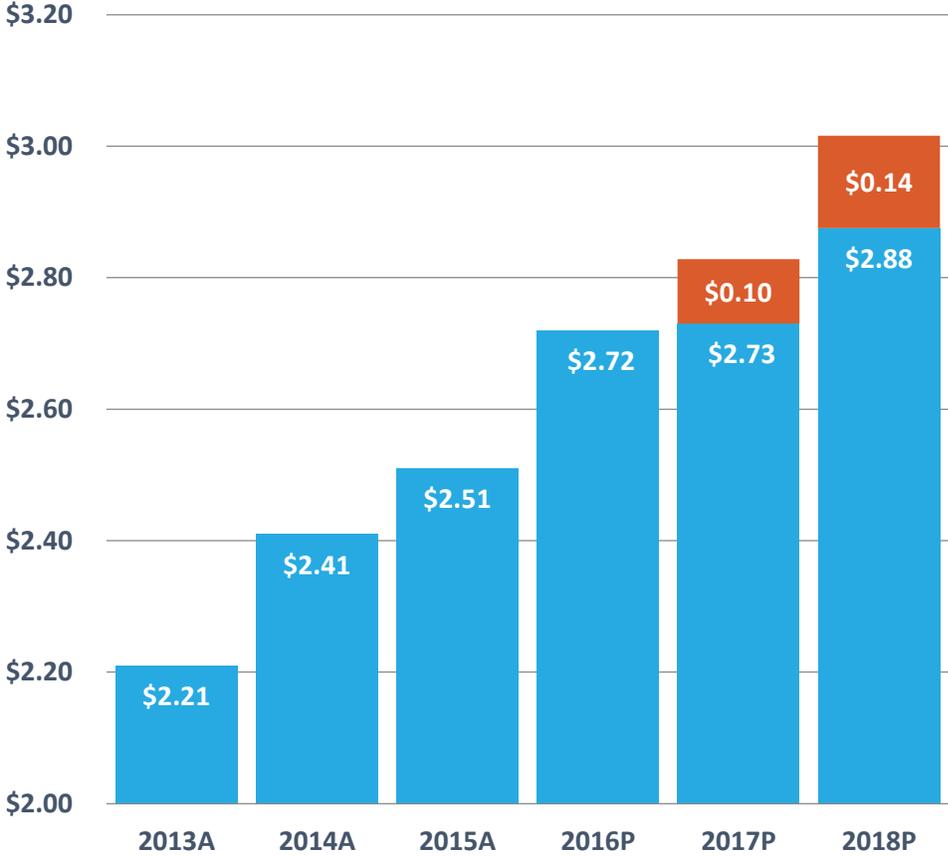
*Note: A bracket groups the following items: Volume/Mix (\$0.11), Price Net of Material, Energy and Freight Costs (\$0.01), Productivity Net of Other Inflation and Cost Changes (\$0.07), and All Other (\$0.00), with a total of \$0.12.*

# Extended Outlook – Sales

(\$ Billions)



# Extended Outlook – Base EPS w/Share Repurchase



# Estimated Key Components of Projected Cash Flow

(\$ Millions)

	2016P	2017P	2018P
<b>Operating Cash Flow</b>	<b>398*</b>	<b>470</b>	<b>485</b>
Capital Expenditures Net of Dispositions	(190)	(190)	(190)
Dividends	(147)	(154)	(162)
<b>Free Cash Flow</b>	<b>61*</b>	<b>126</b>	<b>133</b>
Proceeds of Divestitures Net of Acquisitions	189	--	--
Share Repurchases	(100)	--	--

\*2016 Operating Cash Flow and resulting Free Cash Flow includes estimated cash tax payments and fees of \$81 million related to the sale of Blowmolding operations.

# Capital Structure

(\$ Millions)

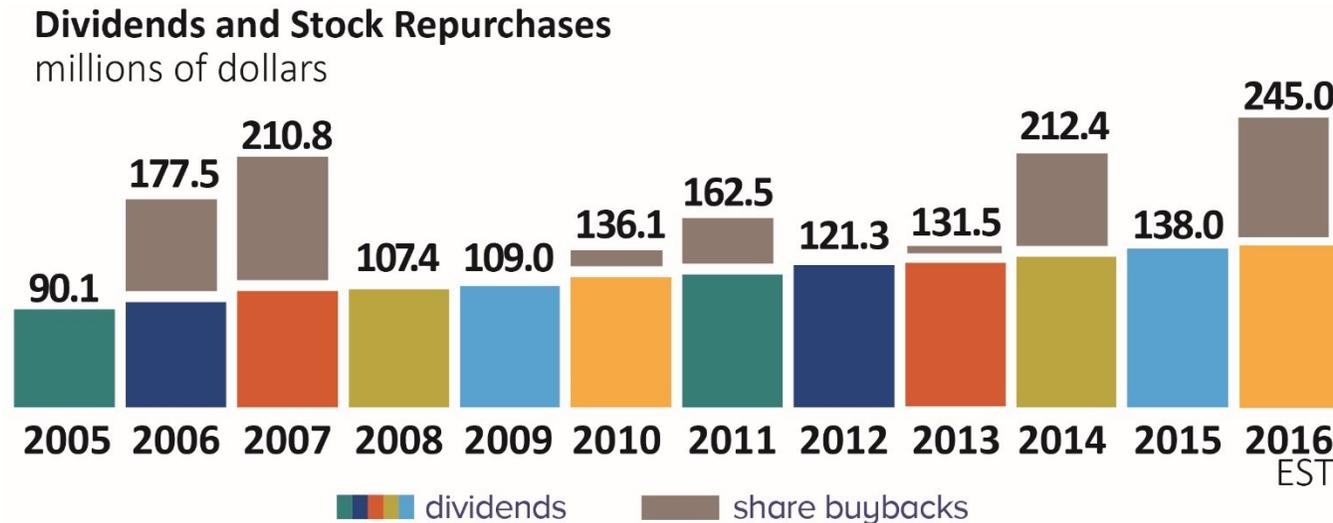
	2015	Q3-2016	Projected End of 2016
Total Debt	\$1,128	\$1,091	\$1,091
Cash	\$ 182	\$ 159	\$ 289
Net Debt	\$ 946	\$ 932	\$ 803
Net Debt to EBITDA	1.6	1.5	1.3
Net Debt to Total Cap	38%	37%	35%

	Projected End of 2016
Commercial Paper	\$ 0
1.0% Euro Debt due 2021	\$ 165
9.2% Bonds due 2021	\$ 4
4.375% Bonds due 2021	\$ 249
5.75% Bonds due 2040	\$ 604
Other Notes	\$ 69
Total Debt	\$1,091

 - BAA2  
 - BBB+

# Capital Deployment Strategy

- Target capital spending on profitable growth (\$190 million projected in 2017)
- Pursue accretive acquisitions in targeted growth areas
- Continue 92-year tradition of returning cash to shareholders
  - Increased dividends
  - Share repurchases at \$100 million



# Our Priorities for 2017

## Getting It Right

### The Right Markets



- Food & Beverages
- Fresh & Natural
- Health & Medical

### The Right Technologies



- Grow & Optimize
  - Flexibles
  - Plastics
  - Composite Cans
  - Tubes & Cores
- Rebuild Display & Packaging

### The Right Geography



- North America
- South America
- Pan-Europe
- Asia

### The Right Customers



- Established CPG's
- Ascending Brands
- Regional Customers

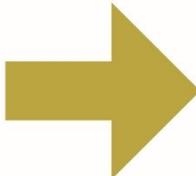
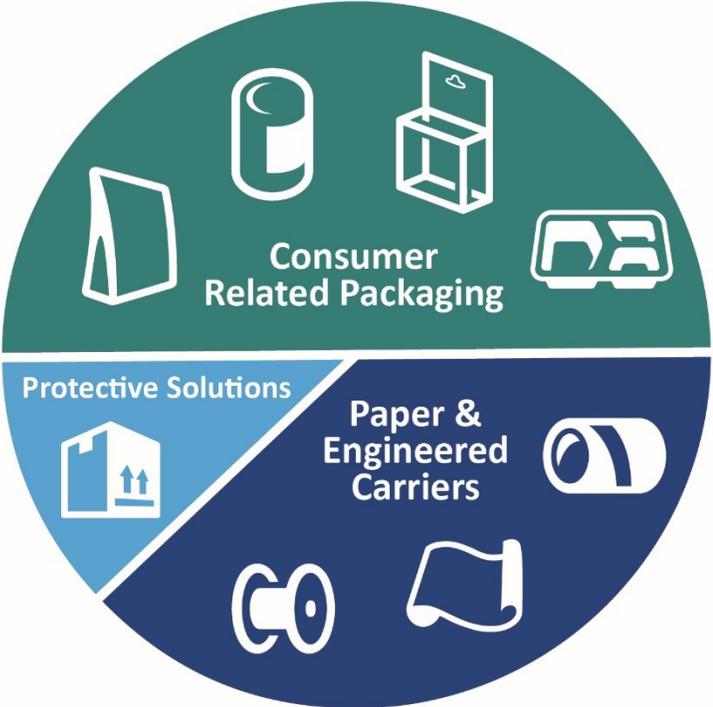
### The Right Packaging



*Enhancing customers' products with innovative packaging solutions*

# Rebalancing and Realigning Our Portfolio for Growth

2016 = \$4.8 Billion  
Consumer 53%



2019 = \$6.2 Billion  
Consumer 72%



# How We Win

- Achieve high
- Improve ope
- Optimize fixe
- Maximize fre
- and target ca
- Grow and op
  - Through ad
  - growth are



# Sonoco's Leadership Team





# Q & A

## Sonoco Products Company

New York Analyst Meeting  
December 2, 2016



# Evolving Consumers, Evolving Packaging

- It's all about health: Fresh & Natural
- Micro-brands mean big business: 4% CAGR
- Gain share of store: center and perimeter
- “Snackification” drives package design
  - Convenience
  - Resealability
  - Portion control



# Formats and Fragmentation Drive Growth

Global Consumer Packaging Markets - \$1 Trillion

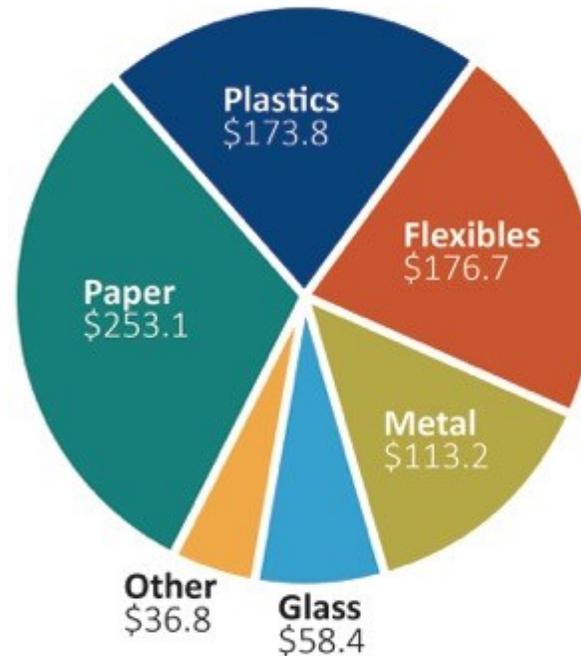
- Key markets

- Pet
- Snacks
- Coffee
- OTC
- Life sciences
- Medical devices
- Fresh food
- Sauces and condiments

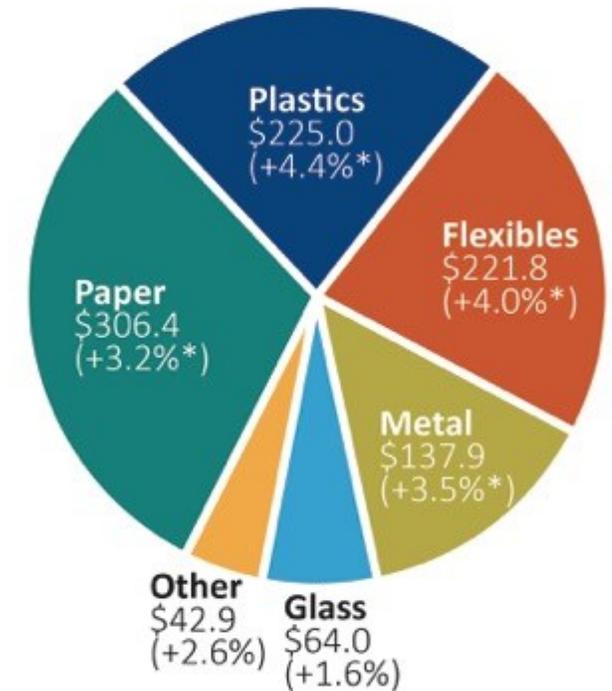
- Key Geographies

- North America
- Europe
- South America - Brazil

2014 Total: \$812 Billion



2020 Projected: \$998 Billion



\*CAGR

Source: Smithers Pira, The Future of Global Packaging to 2020

# Temperature Assurance By the Numbers



\$2.4 Billion

Temperature Assured Market



\$1.4 Trillion

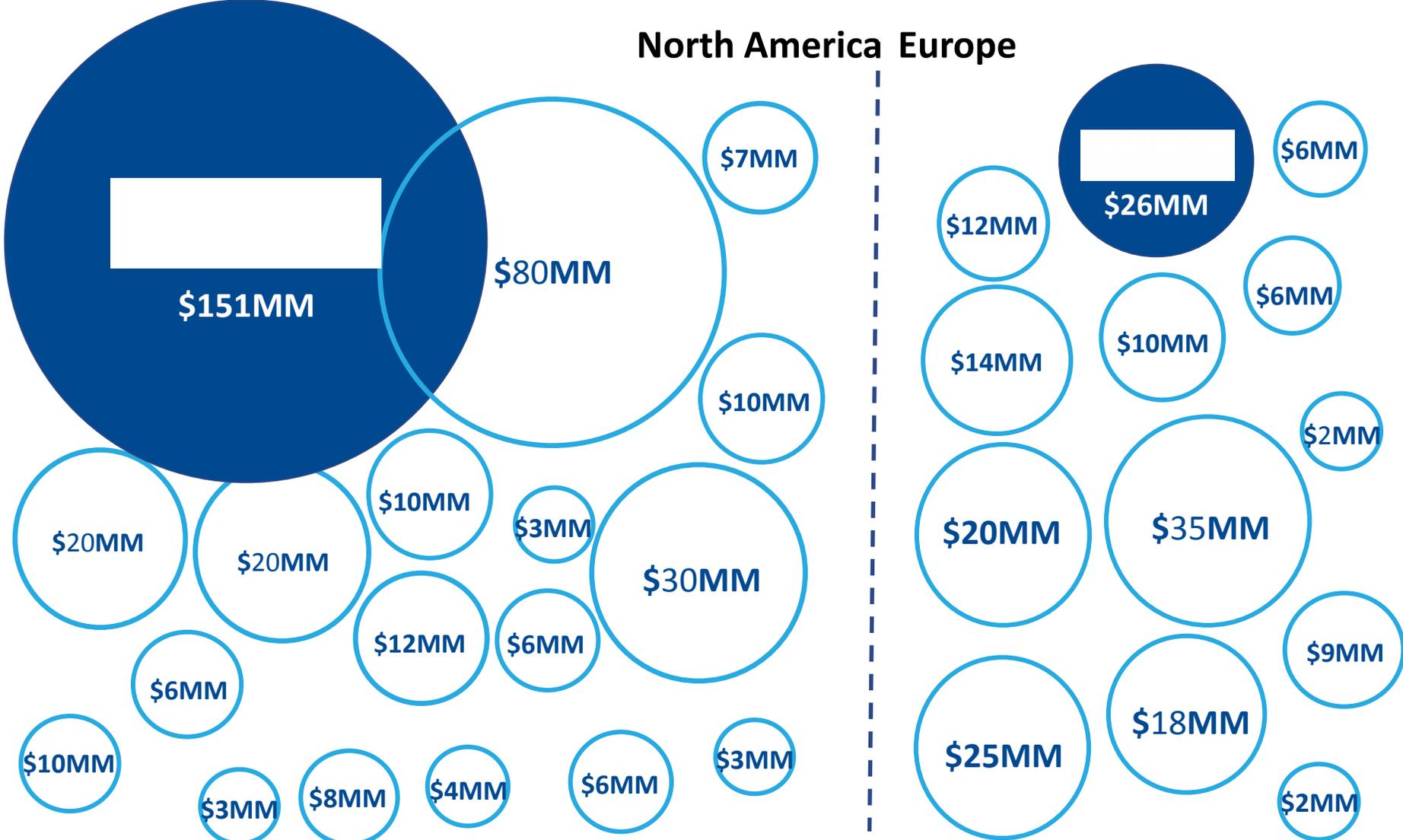
Pharmaceutical Market

6-8%

TAP market growth

# Fragmentation Equals Opportunity

Active and Passive Capabilities



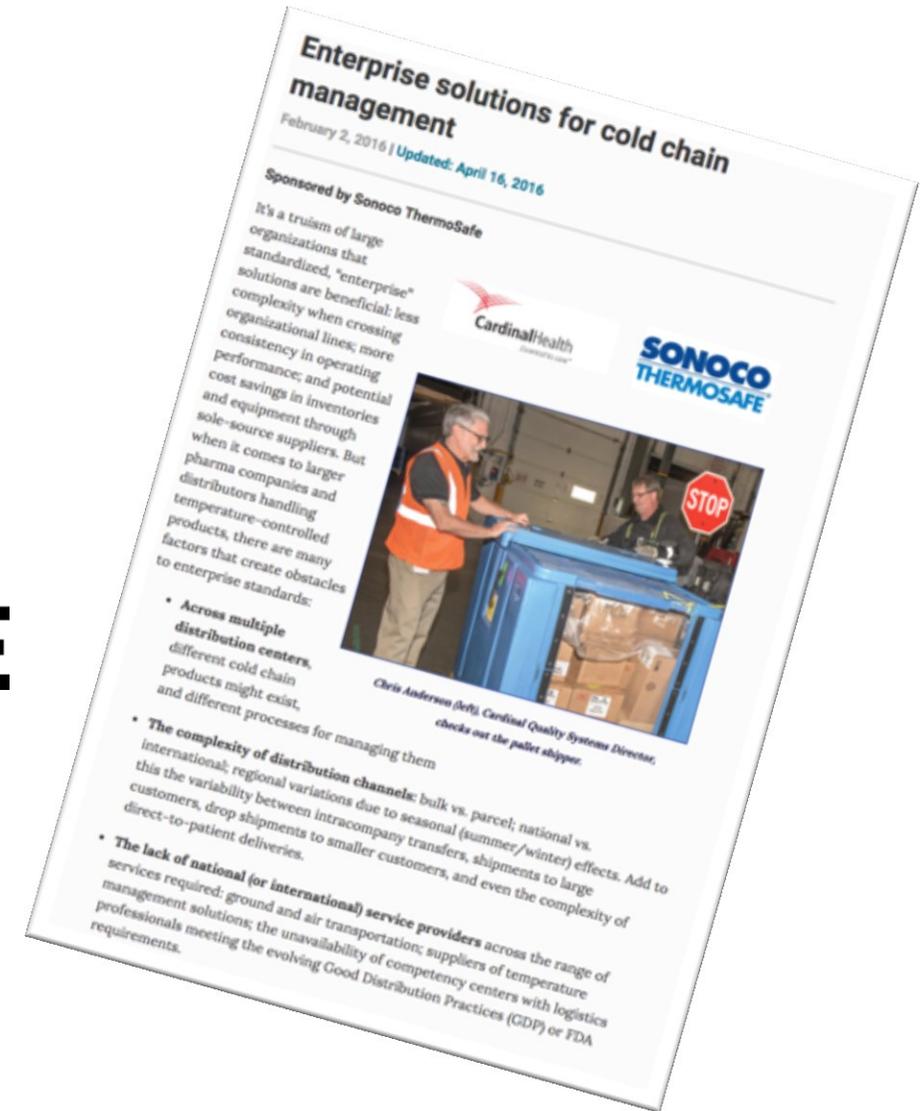
# Packaging Expertise Creates Value

- Reduced Costs
- Reduced Spoilage
- Increased Savings

## PHARMACEUTICAL BUSINESS STRATEGIES FOR BIO/PHARMA SUCCESS

# COMMERCE

- Customized solution saved Cardinal Health \$10.7 Million



# The Composite Can: Constantly Changing

- We've been here before: From motor oil to frozen concentrate
- Expanding markets by expanding technical capabilities
  - Nuts
  - Powered infant formula
  - Snacks
  - Ground coffee



# What's Next for the Composite Can

- Global snacking: Asia/Europe
- Powdered infant formula
  - Focused on global compatibility
- Sweetened condensed milk
  - Opportunity in Asia/Europe and South America



# Paper & Engineered Carriers

Optimization with Selective Growth

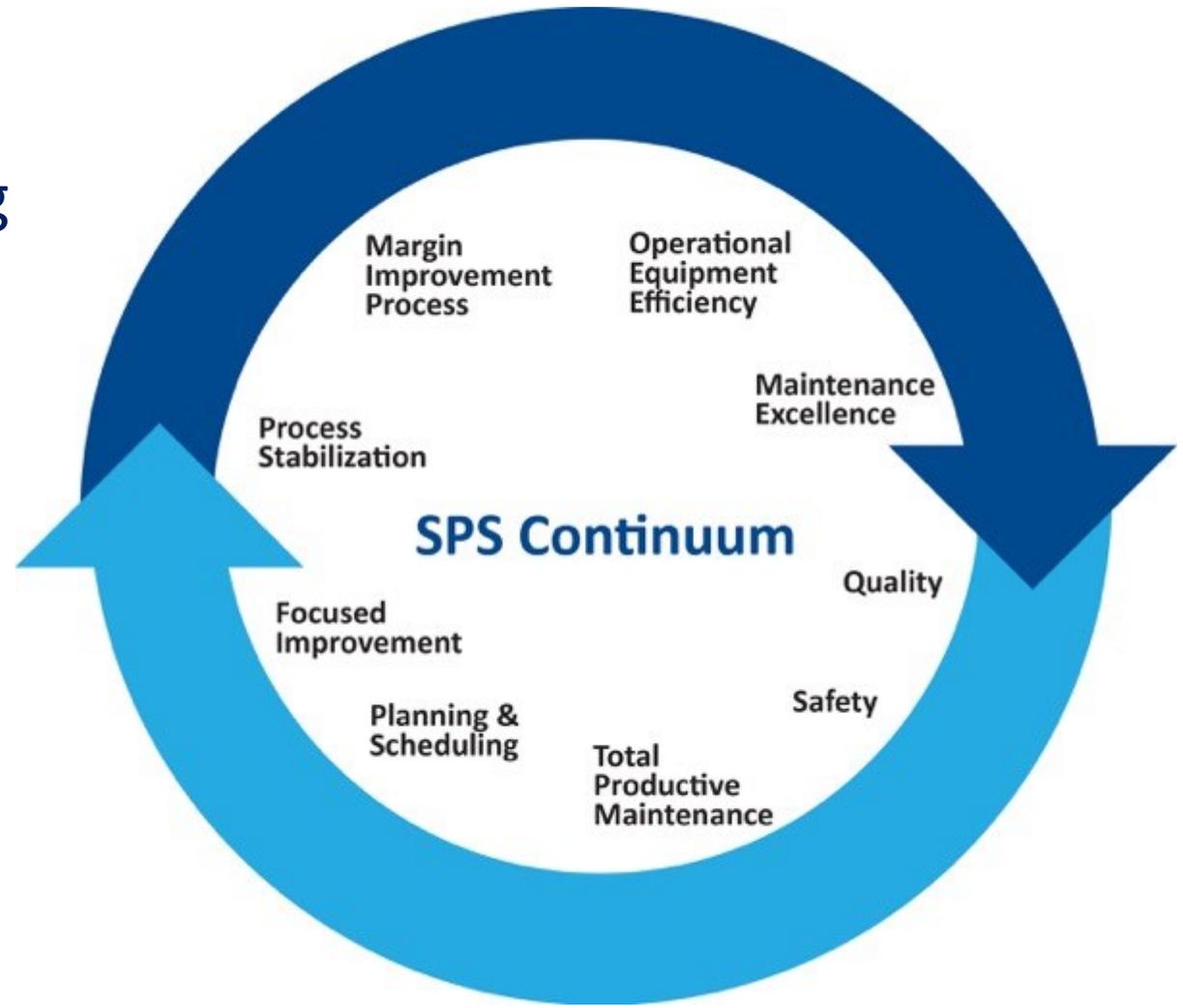
- Improved margins, earnings and cash flow
- 1% volume growth in URB
- Niche opportunities
- Growth in tissue and towel, floor coverings and specialty paper
- T&C share gain in Europe and Latin America
- T&C scale and scope support growth



# Sonoco Performance System (SPS)

Expanding Margins, Optimizing Operations

- Reduced converting costs
- Reduced cost of manufacturing
- Increased margins
- Improved quality
- Optimize the integrated supply chain





# Q & A

## Sonoco Products Company

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