



# SONOCO

## SONOCO SECOND QUARTER 2023

Earnings Presentation | August 2023



# Forward-Looking Statements / Non-GAAP Financial Measures

Statements included herein that are not historical in nature, are intended to be, and are hereby identified as “forward-looking statements” for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. In addition, the Company and its representatives may from time to time make other oral or written statements that are also “forward-looking statements.” Words such as “anticipate,” “assume,” “believe,” “committed,” “consider,” “continue,” “could,” “estimate,” “expect,” “forecast,” “future,” “goal,” “guidance,” “intend,” “likely,” “may,” “might,” “objective,” “outlook,” “plan,” “potential,” “project,” “seek,” “strategy,” “will,” or the negative thereof, and similar expressions identify forward-looking statements.

Forward-looking statements in this communication include statements regarding, but not limited to: the Company’s future operating and financial performance, including third quarter and full-year 2023 outlook; the Company’s ability to manage variable and fixed expenses; opportunities for operational improvements; customer demand and volume outlook; the Company’s relationships with its customers; the Company’s ability to create near-term and long-term value and to generate cash flows and returns for shareholders; expected benefits from accretive acquisitions and divestitures; the effectiveness of the Company’s strategy; the effects of the macroeconomic environment and inflation on the Company and its customers; and outcomes of certain tax issues and tax rates. Such forward-looking statements are based on current expectations, estimates and projections about our industry, management’s beliefs and certain assumptions made by management. Such information includes, without limitation, discussions as to guidance and other estimates, perceived opportunities, expectations, beliefs, plans, strategies, goals and objectives concerning our future financial and operating performance. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. The risks, uncertainties and assumptions include, without limitation, those related to: the Company’s ability to achieve the benefits it expects from acquisitions and divestitures; the Company’s ability to execute on its strategy, including with respect to acquisitions, divestitures, cost management, restructuring and capital expenditures, and achieve the benefits it expects therefrom; the operation of new manufacturing capabilities; the Company’s ability to achieve anticipated cost and energy savings; the availability and pricing of raw materials, energy and transportation, including the impact of potential changes in tariffs and escalating trade wars, and the Company’s ability to pass raw material, energy and transportation price increases and surcharges through to customers or otherwise manage these pricing risks; the costs of labor; the effects of inflation, fluctuations in consumer demand, volume softness, customer destocking and other macroeconomic factors on the Company and the industries in which it operates and that it serves; the Company’s ability to meet its goals relating to sustainability and reduction of greenhouse gas emissions; the Company’s ability to return cash to shareholders and create long-term value; and the other risks, uncertainties and assumptions discussed in the Company’s filings with the Securities and Exchange Commission, including its most recent reports on Forms 10-K and 10-Q, particularly under the heading “Risk Factors.” The Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur.

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 [investor.sonoco.com](http://investor.sonoco.com) under Webcasts & Presentations, and Non-GAAP Reconciliations for the Q2 2023 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 [investor.sonoco.com](http://investor.sonoco.com).

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

# Today's Attendees



**HOWARD COKER**  
President & CEO



**ROB DILLARD**  
Chief Financial Officer



**RODGER FULLER**  
Chief Operating Officer



**LISA WEEKS**  
VP of IR &  
Communications



# Q2 2023 Results Summary

REVENUE	Adjusted EBITDA	Adjusted NET INCOME*	Adjusted EARNINGS PER SHARE*
<b>\$1.71B</b>	<b>\$275M</b>	<b>\$136M</b>	<b>\$1.38</b>
-11% y/y	16% Margin	8% Margin	

## HIGHLIGHTS

- Strong operating performance in a volatile demand environment
- Most businesses performing well; volume weakness in Consumer metal packaging and North America Industrials from inventory management and destocking
- Improving working capital generated \$349 million of operating cash flow in the first six months of 2023
- Remain focused on high return investments to capture growth and efficiency opportunities

\* Net Income = Net Income attributable to Sonoco. See Appendix for EPS Adjusted to GAAP reconciliation. See investor.sonoco.com for reconciliations of other non-GAAP financial measures. Sonoco | www.sonoco.com



# Financial Results

---

**Rob Dillard**  
Chief Financial Officer

# Q2-23 Consolidated Financial Results

	Q2-22	Q1-23	Q2-23	YoY % Change
<b>Net Sales (\$M)</b>	\$1,913	\$1,730	<b>\$1,705</b>	(11%)
<b>Adjusted Operating Profit (\$M)</b>	\$250	\$213	<b>\$211</b>	(16%)
<b>Adjusted Operating Profit Margin</b>	13.1%	12.3%	<b>12.4%</b>	
<b>Adjusted EBITDA (\$M)</b>	\$312	\$276	<b>\$275</b>	(12%)
<b>Adjusted EBITDA Margin</b>	16.3%	16.0%	<b>16.1%</b>	
<b>Adjusted EPS</b>	\$1.76	\$1.40	<b>\$1.38</b>	(22%)

## Performance Summary

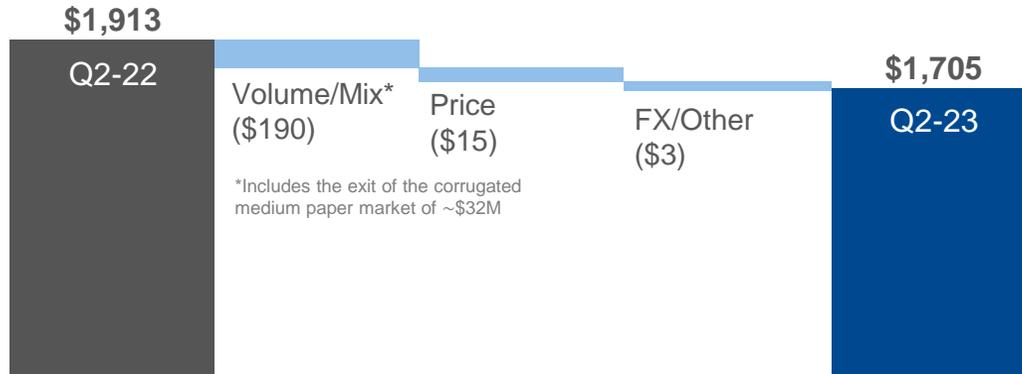
- Sales lower primarily from broad based volume decreases
- Continue to see favorable price/cost in our Industrial and All Other segments and Consumer when excluding metal price overlap
- Positive productivity in Consumer and All Other more than offset negative productivity in Industrial driven by lower volumes



# Q2-23 Performance Review

## Sales Bridge (Year-over-Year)

(Dollars in millions)

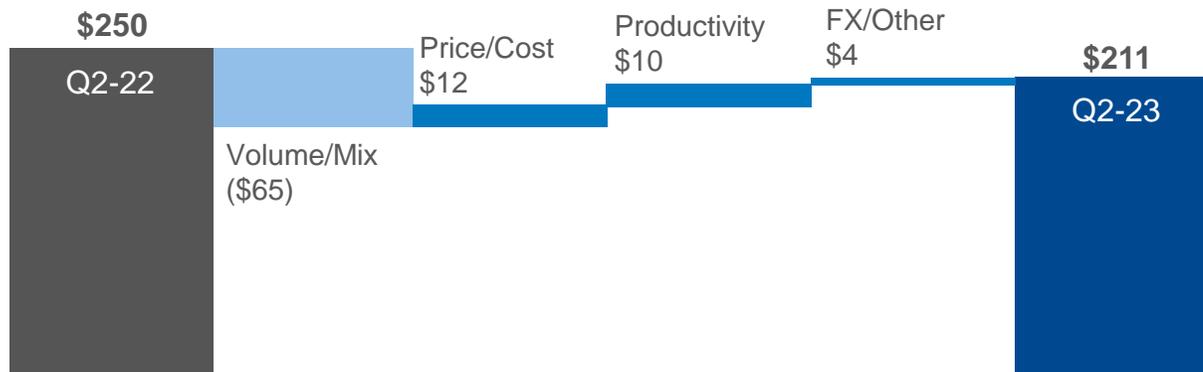


## Sales Drivers

- Volume/Mix: Metal Packaging and Industrial businesses were the primary drivers of the volume decline
- Price: Unfavorable price impact coming from the Industrial businesses on the back of index resets, partially offset by the All Other portfolio

## Adjusted Operating Profit Bridge (Year-over-Year)

(Dollars in millions)



## Profit Drivers

- Volume/Mix: Lower primarily from Industrial segment and Metal Packaging
- Price/Cost: Negative metal price overlap more than offset by favorable price/cost in the balance of the portfolio
- Productivity: Lower than expected from volume deleveraging in Metal Packaging and Industrial
- FX/Other: FX gain due to a weaker dollar

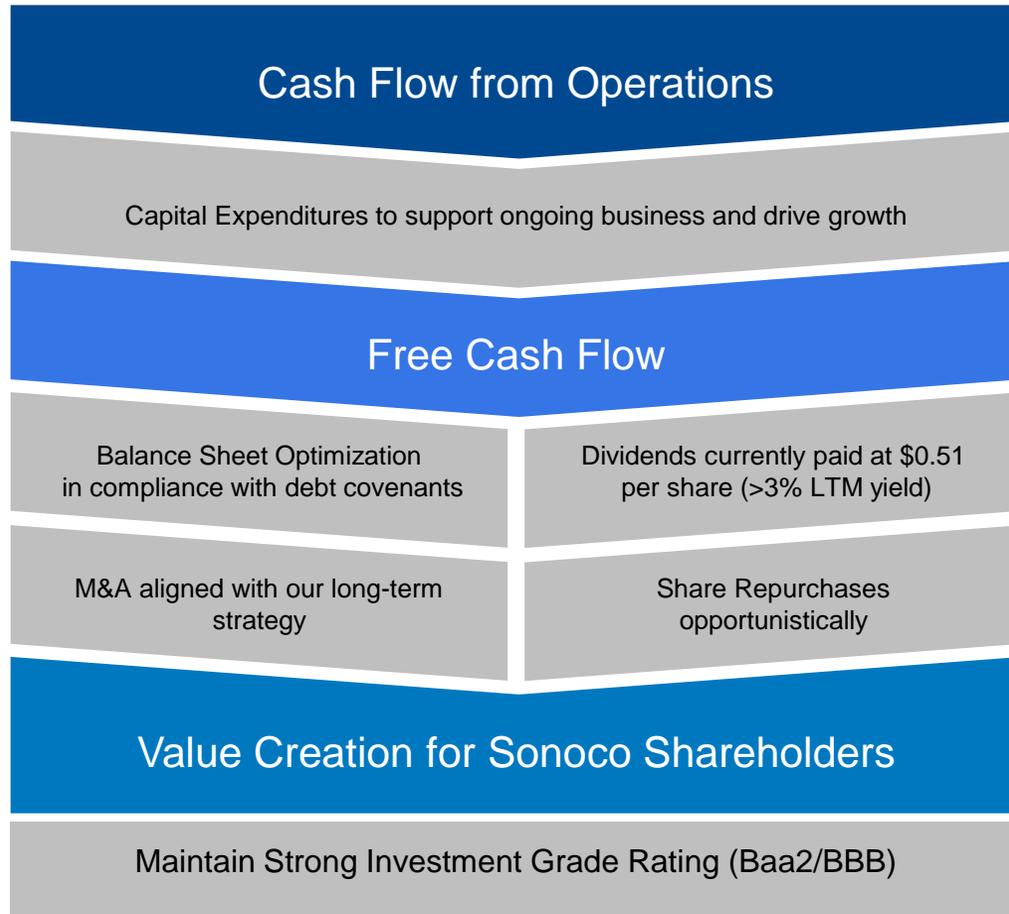
# Q2-23 Segment Results

	Net Sales		Segment Operating Profit		Operating Profit as % of Sales		OP Bridge Drivers (Y/Y)
	\$M	Y/Y Change	\$M	Y/Y Change	%	Y/Y Change	
<b>CONSUMER</b>	<b>\$924</b>	(7%)	<b>\$95</b>	(32%)	<b>10.3%</b>	(377 bps)	<ul style="list-style-type: none"> <li>Negative price / cost driven by the prior year's metal price overlap, otherwise positive</li> <li>Volumes down primarily driven by Metal Packaging, with decreases in Rigid Paper and Plastics Foods</li> <li>Positive productivity driven by Supply Chain / Cost Controls, partially offset by deleveraging</li> </ul>
<b>INDUSTRIAL</b>	<b>\$585</b>	(20%)	<b>\$87</b>	(8%)	<b>14.9%</b>	192 bps	<ul style="list-style-type: none"> <li>Positive price/cost partially offset volume declines</li> <li>Double digit volume declines in paper and converting coupled with deleveraging</li> <li>Excellent profitability considering macro environment</li> </ul>
<b>ALL OTHER</b>	<b>\$197</b>	0%	<b>\$29</b>	73%	<b>14.6%</b>	615 bps	<ul style="list-style-type: none"> <li>Overall volumes down with price / cost more than offsetting</li> <li>Productivity remains strong</li> <li>Excellent profitability considering macro environment</li> </ul>
<b>TOTAL</b>	<b>\$1,705</b>	(11%)	<b>\$211</b>	(16%)	<b>12.4%</b>	(70 bps)	

# Capital Allocation

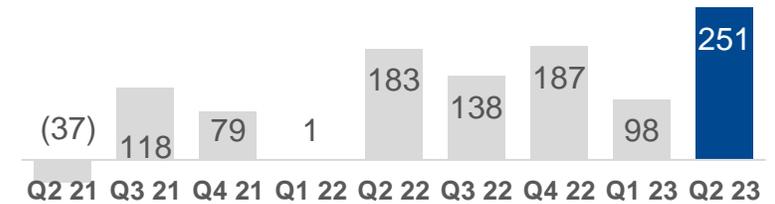
Capital Allocation Framework is Aligned to Business Strategy to Drive Value Creation for Shareholders

## Capital Allocation Priorities



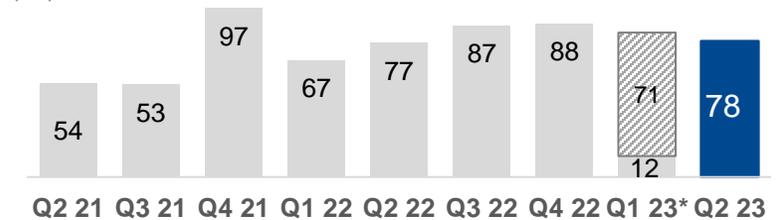
## Operating Cash Flow

(\$M)



## Net Capital Expenditures

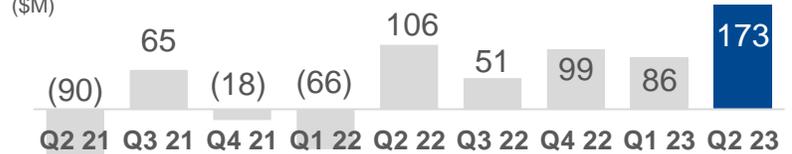
(\$M)



\*Q1-23 is net of the proceeds of the sale of Forest Products (\$71M)

## Free Cash Flow

(\$M)





# 2023 Revised Financial Outlook

## Summary

\$ in Millions (except EPS)	2023 Guidance
Adjusted EBITDA	\$1,020 - \$1,070
Adjusted EPS	\$5.10 - \$5.40
Operating Cash Flow	\$925 - \$975
Free Cash Flow	\$620 - \$720

- Lowered ranges of Adjusted EBITDA and EPS guidance reflect Q2 results and expected continued lower volume for the balance of the year
- Focused on Price / Cost, productivity, and cost controls in a low volume environment
- Expecting to outperform on working capital and full year cash flow
- Focus on long-term opportunities in 2024 and beyond

---

Q3-23 Adjusted EPS Guidance Range: **\$1.25 - \$1.35**

# Q3-23 Segment Outlook

## CONSUMER PACKAGING

- Continued strong performance in global rigid paper containers and flexibles in Q3
- Capacity expansion for rigid paper containers in Brazil, Malaysia, and Poland
- Metal volumes improving sequentially entering pack season but below original volume expectations from destocking
- Metal profitability improving from the reduced impact of metal price overlap
- Seasonally soft rigid plastic food volumes

## INDUSTRIAL PAPER PACKAGING

- Volume to decline sequentially from the second quarter and remain soft globally for the second half of the year
- Core industrial market demand for film cores, paper, textiles remains challenging
- Price/cost benefits moderating with increases in raw material (OCC) and labor costs
- Productivity improvements remain challenging from volume deleveraging

## ALL OTHER BUSINESSES

- Stable demand across the portfolio, with positive seasonal impacts from the Flu Vaccine
- Managing Price/Cost as resin prices stable/declining
- Productivity benefits from restructuring and capital deployments



# Closing Remarks

---

**Howard Coker**  
President and  
Chief Executive Officer

# Looking Head in 2023 and Beyond



**We are continuing to transform the company through portfolio management and M&A**

- Building a funnel of accretive acquisitions
- Non-core divestitures timed for maximum value



**We have increasing opportunity to leverage our operating model to expand margins**

- Industrial margins strong at lower volumes
- Excellence programs offer future opportunities



**We remain disciplined in capital allocation and expect to further invest to grow**

- Strong, investment grade balance sheet
- Increasing dividend and high return investments



**We are committed to improving the lives of our teams, customers, and communities**

- ESG/Sustainability focused programs
- Aligned to the core values of Sonoco



# Appendix

---

---



# EPS Summary 2023 Vs. 2022

	Second Quarter		Year To Date	
	2023	2022	2023	2022
<b>GAAP EPS</b>	\$ 1.16	\$ 1.33	\$ 2.66	\$ 2.50
<b>Addback for:</b>				
Acquisition related costs, net	0.03	0.09	0.08	0.47
LIFO Reserve change	(0.01)	0.05	(0.05)	0.19
Acquisition intangibles amortization expense	0.16	0.16	0.32	0.30
Restructuring, net	0.05	0.10	0.27	0.21
Gain on disposition	(0.06)	—	(0.61)	—
Non-operating pension costs	0.03	0.01	0.05	0.02
Other Items	0.02	0.02	0.05	(0.08)
<b>Adjusted EPS*</b>	<u>\$ 1.38</u>	<u>\$ 1.76</u>	<u>\$ 2.77</u>	<u>\$ 3.61</u>



# P&L Summary (Adjusted) 2nd Quarter: 2023 Vs. 2022

(Dollars in millions)

	2023	2022	Better / (Worse)	
			\$	%
Net sales	\$ 1,705	\$ 1,913	\$ (208)	(10.9)%
Gross profit	356	401	(46)	(11.4)%
SG&A Expenses, net of Other Income	(145)	(151)	7	4.3 %
Operating profit	\$ 211	\$ 250	\$ (39)	(15.7)%
Net interest	(32)	(23)	(9)	(38.8)%
Income before income taxes	\$ 179	\$ 227	\$ (48)	(21.1)%
Provision for income taxes	46	57	11	19.2 %
Net Income, after tax	\$ 133	\$ 170	\$ (37)	(21.8)%
Equity in Affiliates and Minority Interest	3	4	—	— %
Net income attributable to Sonoco	\$ 136	\$ 174	\$ (38)	(21.8)%
EBITDA (with Equity in Affiliates)	\$ 275	\$ 312	(36)	(11.6)%
Gross profit %	20.9 %	21.0 %		
SG&A, net of Other Income %	8.5 %	7.9 %		
Operating profit %	12.4 %	13.1 %		
EBITDA (with Equity in Affiliates)%	16.1 %	16.3 %		
Effective tax rate	25.6 %	25.0 %		

NOTE: Due to rounding individual items may not sum down



# P&L Summary (Adjusted) 2<sup>nd</sup> Quarter Year to date: 2023 Vs. 2022

(Dollars in millions)

	2023	2022	Better / (Worse)	
			\$	%
Net sales	\$ 3,435	\$ 3,684	\$ (249)	(6.8)%
Gross profit	725	817	(92)	(11.3)%
SG&A Expenses, net of Other Income	(300)	(306)	6	1.9 %
Operating Profit	\$ 424	\$ 511	\$ (87)	(16.9)%
Net interest	(65)	(42)	(23)	(53.5)%
Income before income taxes	\$ 359	\$ 469	\$ (109)	(23.2)%
Provision for income taxes	91	118	27	23.0 %
Net Income, after tax	\$ 269	\$ 351	\$ (82)	(23.4)%
Equity Affiliates and Minority Interest	5	6	(1)	(12.5)%
Net income attributable to Sonoco	\$ 274	\$ 357	\$ (83)	(23.3)%
EBITDA (with Equity in Affiliates)	\$ 552	\$ 629	\$ (77)	(12.3)%
Gross Profit %	21.1 %	22.2 %		
SG&A, Net of Other Income %	8.7 %	8.3 %		
Operating profit %	12.3 %	13.9 %		
EBITDA (with Equity in Affiliates)%	16.1 %	17.1 %		
Effective tax rate	25.3 %	25.1 %		



# Balance Sheet

(Dollars in millions)

	7/2/2023	12/31/2022	Change \$
Cash and cash equivalents	\$ 319	\$ 227	\$ 92
Trade accounts receivable, net of allowances	888	863	25
Other receivables	122	99	23
Inventories	943	1,096	(153)
Prepaid expenses	88	76	12
<b>Current Assets</b>	<b>\$ 2,360</b>	<b>\$ 2,361</b>	<b>\$ (1)</b>
Property, plant and equipment, net	1,747	1,710	37
Goodwill	1,682	1,675	7
Other intangible assets, net	695	742	(47)
Long-term deferred income taxes	31	30	1
Right of use asset - operating leases	287	297	(10)
Other assets	247	238	9
<b>Total Assets</b>	<b>\$ 7,049</b>	<b>\$ 7,053</b>	<b>\$ (4)</b>
Payable to suppliers and others	1,065	1,225	(160)
Income taxes payable	17	17	—
<b>Total debt</b>	<b>3,153</b>	<b>3,222</b>	<b>(69)</b>
Pension and other postretirement benefits	122	120	2
Noncurrent operating lease liabilities	242	251	(9)
Deferred income taxes and other	150	145	5
<b>Total equity</b>	<b>2,299</b>	<b>2,073</b>	<b>226</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 7,049</b>	<b>\$ 7,053</b>	<b>\$ (4)</b>
<b>Net debt / Total capital</b>	<b>55.2 %</b>	<b>59.1 %</b>	

Net debt = Total debt minus cash and cash equivalents

Total capital = Net debt plus total equity