

Sonoco Products Co.

SON at BofA's Global Ag. & Materials Conference

Maintain Rating: BUY | PO: 64.00 USD | Price: 56.55 USD

SON at BofA's Global Ag. & Materials Conference

Sonoco Products' (SON; Buy) Chief Executive Officer, Howard Coker, and Chief Financial Officer, Robert Dillard, presented at BofA's Global Agriculture & Materials Conference. We maintain our Buy rating on SON given our view of its valuation and solid balance sheet. SON commented that the first quarter seems to be tracking in-line/better with guidance as vols have trended reasonably well into February. As for the full year, the company thinks that EBITDA will be up y/y which will be driven by low-single digit volume growth (2H loaded) as well as productivity benefits – our sense is consumer volume in 1H and industrial vols in 2H will be key. Meantime, price/cost will be a headwind and the company expects this to be fairly equally weighted in Industrial and Consumer – again, over the course of the year our sense is commercial excellence will be important in offsetting inflation. OCC prices will likely trend higher over 2024's quarters. In the Industrial business, SON noted that its utilization rates are now within the 90s. Furthermore, SON stated that it has not yet been able to enjoy the benefits of Project Horizon given the market demand backdrop when the machine started up, but that it will start to bear the benefits of this project as demand returns. Overall, the company does not see sustainability headwinds in its thermoforming / flexibles businesses and relayed that customer sustainability discussions primarily revolve around fit for purpose. Interestingly, while the company did not quantify, it did mention that it has lot more opportunities to executive in its commercial excellence program. In terms of M&A, SON stated that it is always actively engaged and looking at the markets it is involved in and noted that any move would need to be aligned strategically.

28 February 2024

Equity

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Stock Data

Price	56.55 USD
Price Objective	64.00 USD
Date Established	15-Feb-2024
Investment Opinion	B-1-7
52-Week Range	49.98 USD - 63.74 USD
Mrkt Val (mn) / Shares Out (mn)	5,699 USD / 100.8
Free Float	99.2%
Average Daily Value (mn)	24.19 USD
BofA Ticker / Exchange	SON / NYS
Bloomberg / Reuters	SON US / SON.N
ROE (2024E)	20.1%
Net Dbt to Eqty (Dec-2023A)	120.5%
ESGMeter™	Medium

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OCC: old corrugated container

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Timestamp: 28 February 2024 06:16PM EST

Price objective basis & risk

Sonoco Products Co. (SON)

Our \$64 price objective is derived from a three-part valuation approach, which includes: (1) a 13-14x 2024E P/E multiple, (2) an 9-10x 2024E EV/EBITDA multiple, and (3) our intrinsic free cash flow (FCF) valuation, which assumes \$600mn of normalized FCF, 10% cost of equity, and -2% growth rate. The P/E and EV/EBITDA multiples are consistent with past valuation multiples within packaging.

Downside risks to our price objective are: (1) potential volatility in old corrugated container (OCC) prices, (2) execution on restructuring and integration initiatives, (3) integration of present acquisitions, (4) periodic volatility in its business, (5) execution of its consumer/growth strategies in packaging, (6) unexpected volume and pricing trends, (7) macroeconomic trends, (8) potential trend reversals related to Administration policies. In addition, energy and commodity cost volatility represent ongoing risk for all packaging companies.

Upside risks to our PO are: (1) Sonoco's ability to acquire businesses accretively, making our forecasts too pessimistic, driving SON above our PO, (2) Additionally, should volumes accelerate while input costs stay benign, this could lead to higher earnings than we are projecting and result in the stock exceeding our PO, (3) The factors noted earlier could play out in a way that causes results to exceed our forecast and drive the shares above our PO.

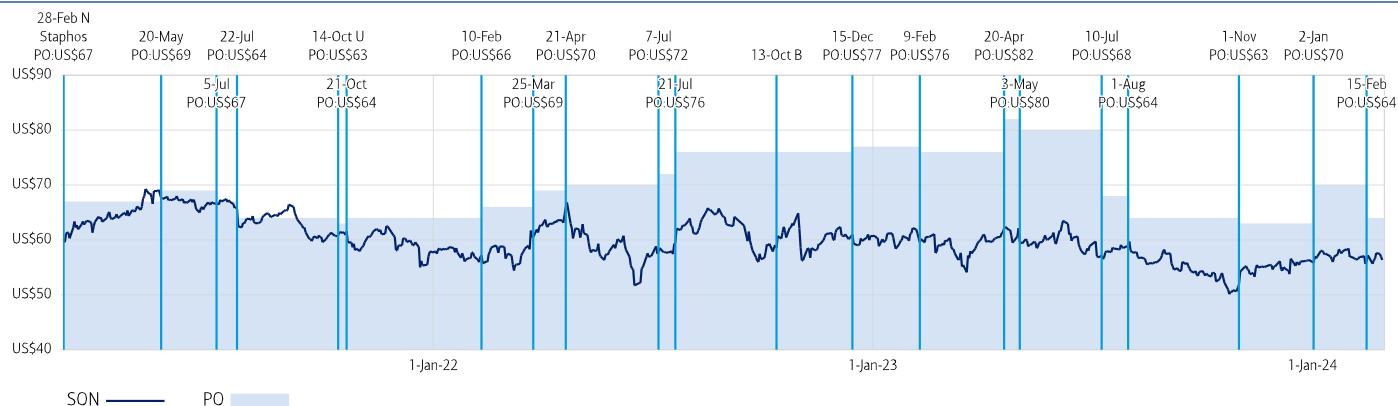
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Sonoco Products (SON) Price Chart



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Equity Investment Rating Distribution: Packaging Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	14	60.87%	Buy	10	71.43%
Hold	6	26.09%	Hold	5	83.33%
Sell	3	13.04%	Sell	2	66.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
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Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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