

SONOCO PRODUCTS CO
Form 10-Q
November 01, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended October 1, 2017
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____
Commission File No. 001-11261
SONOCO PRODUCTS COMPANY

Incorporated under the laws of South Carolina I.R.S. Employer Identification
No. 57-0248420
1 N. Second St.
Hartsville, South Carolina 29550
Telephone: 843/383-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock at October 20, 2017:
Common stock, no par value: 99,400,898

SONOCO PRODUCTS COMPANY
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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SONOCO PRODUCTS COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(Dollars and shares in thousands)

	October 1, 2017	December 31, 2016*
Assets		
Current Assets		
Cash and cash equivalents	\$247,908	\$257,226
Trade accounts receivable, net of allowances	751,445	625,411
Other receivables	51,229	43,553
Inventories:		
Finished and in process	187,133	127,446
Materials and supplies	285,823	245,368
Prepaid expenses	51,787	49,764
	1,575,325	1,348,768
Property, Plant and Equipment, Net	1,182,384	1,060,017
Goodwill	1,240,439	1,092,215
Other Intangible Assets, Net	342,316	224,958
Deferred Income Taxes	52,549	42,130
Other Assets	176,615	155,115
Total Assets	\$4,569,628	\$3,923,203
Liabilities and Equity		
Current Liabilities		
Payable to suppliers	\$559,432	\$477,831
Accrued expenses and other	294,889	273,996
Notes payable and current portion of long-term debt	125,916	32,045
Accrued taxes	10,931	18,744
	991,168	802,616
Long-term Debt, Net of Current Portion	1,300,191	1,020,698
Pension and Other Postretirement Benefits	388,492	447,339
Deferred Income Taxes	91,009	59,753
Other Liabilities	40,142	38,092
Commitments and Contingencies		
Sonoco Shareholders' Equity		
Common stock, no par value		
Authorized 300,000 shares		
99,398 and 99,193 shares issued and outstanding at October 1, 2017 and December 31, 2016, respectively	7,175	7,175
Capital in excess of stated value	325,707	321,050
Accumulated other comprehensive loss	(596,953)	(738,380)
Retained earnings	1,996,244	1,942,513
Total Sonoco Shareholders' Equity	1,732,173	1,532,358
Noncontrolling Interests	26,453	22,347
Total Equity	1,758,626	1,554,705
Total Liabilities and Equity	\$4,569,628	\$3,923,203

* The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. See accompanying Notes to Condensed Consolidated Financial Statements

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SONOCO PRODUCTS COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)
 (Dollars and shares in thousands except per share data)

	Three Months Ended		Nine Months Ended	
	October 1, 2017	October 2, 2016	October 1, 2017	October 2, 2016
Net sales	\$1,324,634	\$1,208,724	\$3,737,632	\$3,640,680
Cost of sales	1,073,761	973,351	3,030,662	2,918,041
Gross profit	250,873	235,373	706,970	722,639
Selling, general and administrative expenses	130,280	121,583	413,626	382,387
Restructuring/Asset impairment charges	511	8,947	12,519	41,453
Income before interest and income taxes	120,082	104,843	280,825	298,799
Interest expense	14,741	13,133	41,649	41,414
Interest income	1,094	696	3,152	1,646
Income before income taxes	106,435	92,406	242,328	259,031
Provision for income taxes	35,545	29,618	78,251	83,602
Income before equity in earnings of affiliates	70,890	62,788	164,077	175,429
Equity in earnings of affiliates, net of tax	2,521	3,190	7,320	7,457
Net income	\$73,411	\$65,978	\$171,397	\$182,886
Net income attributable to noncontrolling interests	(599)	(583)	(1,727)	(1,325)
Net income attributable to Sonoco	\$72,812	\$65,395	\$169,670	\$181,561
Weighted average common shares outstanding:				
Basic	100,275	100,925	100,214	101,320
Diluted	100,684	101,579	100,793	101,960
Per common share:				
Net income attributable to Sonoco:				
Basic	\$0.73	\$0.65	\$1.69	\$1.79
Diluted	\$0.72	\$0.64	\$1.68	\$1.78
Cash dividends	\$0.39	\$0.37	\$1.15	\$1.09

See accompanying Notes to Condensed Consolidated Financial Statements

SONOCO PRODUCTS COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE INCOME (unaudited)
 (Dollars in thousands)

	Three Months Ended		Nine Months Ended	
	October 1,	October 2,	October 1,	October 2,
	2017	2016	2017	2016
Net income	\$73,411	\$ 65,978	\$171,397	\$182,886
Other comprehensive income/(loss):				
Foreign currency translation adjustments	27,445	(3,157)	87,807	10,282
Changes in defined benefit plans, net of tax	10,301	5,799	58,311	14,753
Changes in derivative financial instruments, net of tax	(186)	641	(3,653)	5,263
Other comprehensive income	37,560	3,283	142,465	30,298
Comprehensive income	110,971	69,261	313,862	213,184
Net income attributable to noncontrolling interests	(599)	(583)	(1,727)	(1,325)
Other comprehensive loss (income) attributable to noncontrolling interests	(517)	363	(1,038)	(1,775)
Comprehensive income attributable to Sonoco	\$109,855	\$ 69,041	\$311,097	\$210,084
See accompanying Notes to Condensed Consolidated Financial Statements				

SONOCO PRODUCTS COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
 (Dollars in thousands)

	Nine Months Ended	
	October 1,	October 2,
	2017	2016
Cash Flows from Operating Activities:		
Net income	\$ 171,397	\$ 182,886
Adjustments to reconcile net income to net cash provided by operating activities:		
Asset impairment	1,486	7,157
Depreciation, depletion and amortization	159,130	156,542
Share-based compensation expense	9,028	14,277
Equity in earnings of affiliates	(7,320)	(7,457)
Cash dividends from affiliated companies	5,467	7,090
Net gain on disposition of assets	833	14,809
Pension and postretirement plan expense	66,245	34,165
Pension and postretirement plan contributions	(52,549)	(39,946)
Tax effect of share-based compensation exercises	—	2,365
Excess tax benefit of share-based compensation	—	(2,406)
Net increase/(decrease) in deferred taxes	(2,126)	2,998
Change in assets and liabilities, net of effects from acquisitions, dispositions, and foreign currency adjustments:		
Trade accounts receivable	(70,908)	(69,189)
Inventories	(14,965)	(11,289)
Payable to suppliers	29,321	7,678
Prepaid expenses	(2,504)	3,996
Accrued expenses	1,229	16,350
Income taxes payable and other income tax items	(1,886)	22,951
Other assets and liabilities	(9,769)	5,700
Net cash provided by operating activities	282,109	348,677
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(144,738)	(142,073)
Cost of acquisitions, net of cash acquired	(383,358)	(21,338)
Cash paid for disposition of assets	—	(8,436)
Proceeds from the sale of assets	3,743	6,565
Investment in affiliates and other, net	1,739	63
Net cash used in investing activities	(522,614)	(165,219)
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	436,335	230,393
Principal repayment of debt	(196,198)	(269,017)
Net change in commercial paper	98,000	—
Net increase in outstanding checks	500	6,796
Excess tax benefit of share-based compensation	—	2,406
Cash dividends	(114,368)	(109,821)
Shares acquired	(5,942)	(65,015)
Net cash provided by/(used in) financing activities	218,327	(204,258)
Effects of Exchange Rate Changes on Cash	12,860	(2,313)
Net Decrease in Cash and Cash Equivalents	(9,318)	(23,113)
Cash and cash equivalents at beginning of period	257,226	182,434

Cash and cash equivalents at end of period	\$247,908	\$159,321
See accompanying Notes to Condensed Consolidated Financial Statements		

SONOCO PRODUCTS COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

(unaudited)

Note 1: Basis of Interim Presentation

In the opinion of the management of Sonoco Products Company (the "Company" or "Sonoco"), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments, unless otherwise stated) necessary to state fairly the consolidated financial position, results of operations and cash flows for the interim periods reported herein. Operating results for the three and nine months ended October 1, 2017, are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

With respect to the unaudited condensed consolidated financial information of the Company for the three- and nine-month periods ended October 1, 2017 and October 2, 2016 included in this Form 10-Q, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated October 31, 2017 appearing herein, states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited financial information because that report is not a "report" or a "part" of a registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

Note 2: New Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities, which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The update to the standard is effective for periods beginning after December 15, 2018, with early adoption permitted in any interim period after issuance of this update. The Company does not expect the implementation of ASU 2017-12 to have a material effect on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which requires an employer to report service cost in the same line item as other compensation costs arising from employees during the period. The other components of net benefit cost as defined are required to be presented separately from the service cost component and outside a subtotal of income from operations, if one is presented, or disclosed. This update also allows only the service cost component to be eligible for capitalization when applicable and is effective for periods beginning after December 15, 2017. The amendments should be applied retrospectively for the presentation of the components of net benefit cost in the income statement and prospectively for the capitalization of the service cost component. The Company does not expect the implementation of ASU 2017-07 to have a material effect on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash," requiring that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in ASU 2016-18 do not provide a definition of restricted cash or restricted cash equivalents. The guidance is effective for periods beginning after December 15, 2017, on a retrospective basis. The Company does not expect the implementation of ASU 2016-18 to

have a material impact on its consolidated financial statements.

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SONOCO PRODUCTS COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

(unaudited)

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," providing clarification on eight cash flow classification issues, including 1) debt prepayment or debt extinguishment costs, 2) settlement of relatively insignificant debt instruments, 3) contingent consideration payments, 4) insurance claim settlements, 5) life insurance settlements, 6) distributions received from equity method investees, 7) beneficial interests in securitization transactions, and 8) separately identifiable cash flows. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company does not expect the implementation of ASU 2016-15 to have a material effect on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," which impacts several aspects of the accounting for share-based payment transactions, including among others, the classification of excess tax benefits in the statements of income and cash flows and accounting for forfeitures. The Company's adoption of this update effective January 1, 2017 resulted in the recognition of \$2,273 of excess tax benefits in the income statement during the nine-month period ended October 1, 2017. In accordance with the provisions of this ASU, excess tax benefits have also been recognized on a prospective basis within the operating section of the consolidated statement of cash flows for the nine-month period ended October 1, 2017, rather than the financing section. Pursuant to adoption of the new ASU, the Company recorded a cumulative charge to retained earnings of \$318 for the elimination of estimated forfeitures associated with the Company's share-based compensation. The Company has elected to recognize forfeitures prospectively as they occur beginning January 1, 2017.

In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers, Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which provides guidance on recording revenue on a gross basis versus a net basis based on the determination of whether an entity is a principal or an agent when another party is involved in providing goods or services to a customer. The amendments in this update affect the guidance in ASU No. 2014-09 and are effective in the same time frame as ASU 2014-09 as discussed below.

In February 2016, the FASB issued ASU 2016-02, "Leases" which changes accounting for leases and requires lessees to recognize the assets and liabilities arising from all leases, including those classified as operating leases under previous accounting guidance on the balance sheet and requires disclosure of key information about leasing arrangements to increase transparency and comparability among organizations. The accounting for lessors does not fundamentally change except for changes to conform and align guidance to the lessee guidance. The guidance is effective for reporting periods beginning after December 15, 2018, including interim periods within those fiscal years and requires retrospective application. The Company is still assessing the impact of ASU 2016-02 on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue From Contracts With Customers," which changes the definitions/criteria used to determine when revenue should be recognized from being based on risks and rewards to being based on control. Among other changes, ASU 2014-09 changes the manner in which variable consideration is recognized, requires recognition of the time value of money when payment terms exceed one year, provides clarification on accounting for contract costs, and expands disclosure requirements. ASU 2014-09 is effective for reporting periods beginning after December 15, 2017. Although the Company will not complete its final assessment and quantification of the impact of ASU 2014-09 on its consolidated financial statements until adoption, it expects the adoption to have the effect of accelerating the timing of revenue recognition compared to current standards for those arrangements under which the Company is producing customer-specific products without alternative use and would be entitled to payment for work completed, including a reasonable margin. The Company is still in the process of developing an estimate of the impact of the transition adjustment on its consolidated financial statements. The Company plans to adopt ASU 2014-09 in the first quarter of fiscal 2018 following the modified retrospective transition method.

During the three- and nine-month periods ended October 1, 2017, there have been no other newly issued nor newly applicable accounting pronouncements that have had, or are expected to have, a material impact on the Company's financial statements. Further, at October 1, 2017, there were no other pronouncements pending adoption that are expected to have a material impact on the Company's consolidated financial statements.

SONOCO PRODUCTS COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Dollars in thousands except per share data)
 (unaudited)

Note 3: Acquisitions

On July 24, 2017, the Company completed the acquisition of Clear Lam Packaging, Inc. ("Clear Lam") for \$164,585, net of cash acquired. Final consideration will be subject to an adjustment for working capital, which is expected to be completed by the end of the first quarter of 2018. Clear Lam manufactures high barrier flexible and forming films used to package a variety of products for consumer packaged goods companies, retailers and other industrial manufacturers, with a focus on structures used for perishable foods. It has production facilities in Elk Grove Village, Illinois, and Nanjing, China. The Company financed a portion of the transaction with \$100,000 in borrowings from a \$250,000 five-year term loan with the remaining purchase price funded from available short-term credit facilities. The provisional fair values of the assets acquired and liabilities assumed in connection with the acquisition of Clear Lam are as follows:

Trade accounts receivable	\$10,578
Inventories	27,299
Property, plant and equipment	25,673
Goodwill	48,818
Other intangible assets	77,600
Trade accounts payable	(14,455)
Other net tangible assets /(liabilities)	(10,928)
Net assets	\$164,585

Management is continuing to finalize its valuation of certain assets and liabilities of Clear Lam including, but not limited to: inventory; property, plant and equipment; other intangible assets; deferred income taxes; and capital leases. Factors comprising goodwill, all of which is expected to be deductible for income tax purposes, include increased access to certain markets as well as the value of the assembled workforce. Clear Lam's financial results are included in the Company's Consumer Packaging segment.

On March 14, 2017, the Company completed the acquisition of Packaging Holdings, Inc. and subsidiaries, including Peninsula Packaging LLC ("Packaging Holdings"), for \$218,774, net of cash acquired. Packaging Holdings manufactures thermoformed packaging for a wide range of whole fresh fruits, pre-cut fruits and produce, prepared salad mixes, as well as baked goods in retail supermarkets from five manufacturing facilities, including four in the United States and one in Mexico. The Company financed the transaction with a combination of cash and borrowings including a \$150,000 three-year term loan.

The fair values of the assets acquired and liabilities assumed in connection with the acquisition of Packaging Holdings are as follows:

Trade accounts receivable	\$14,143
Inventories	43,276
Property, plant and equipment	53,787
Goodwill	72,316
Other intangible assets	60,190
Trade accounts payable	(22,286)
Other net tangible assets /(liabilities)	(2,652)
Net assets	\$218,774

During the third quarter of 2017, the Company continued to finalize its valuations of certain assets and liabilities of Packaging Holdings based on new information obtained about facts and circumstances that existed as of the acquisition date. The continuing valuation includes, but is not limited to: inventory; property, plant and equipment; other intangible assets; deferred income taxes; and capital leases. The valuations are expected to be completed in the fourth quarter of 2017. Factors comprising goodwill, of which approximately \$30,500 is expected to be deductible for

income tax purposes, include increased access to certain markets as well as the value of the assembled workforce.
Packaging

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SONOCO PRODUCTS COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Dollars in thousands except per share data)
 (unaudited)

Holding's financial results are included in the Company's Consumer Packaging segment and the business will operate as the Peninsula brand of thermoformed packaging products within the Company's global plastics division. The Company has accounted for the Packaging Holdings and Clear Lam acquisitions as business combinations under the acquisition method of accounting in accordance with the business combinations subtopic of the Accounting Standards Codification and has included their results of operations in the Company's Condensed Consolidated Statements of Income.

The following table presents the aggregate, unaudited financial results for Packaging Holdings and Clear Lam from their respective dates of acquisition:

	(unaudited)	
Aggregate Supplemental Information	Three Months Ended	Nine Months Ended
Packaging Holdings and Clear Lam	October 1, 2017	October 1, 2017
Actual net sales	\$77,764	\$145,983
Actual net income	\$1,976	\$2,160

Although neither of the acquisitions completed during the nine months ended October 1, 2017, is considered individually material, they are considered material on a combined basis. The following table presents the Company's estimated unaudited pro forma consolidated results for the three and nine-month periods ended October 1, 2017 and October 2, 2016, assuming both acquisitions had occurred on January 1, 2016. This pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisitions had been completed as of the beginning of 2016, nor are they necessarily indicative of future consolidated results.

	(unaudited)		(unaudited)	
Pro Forma Supplemental Information	Three Months Ended		Nine Months Ended	
Consolidated	October 1, 2017	October 2, 2016	October 1, 2017	October 2, 2016
Net sales	\$1,332,532	\$1,293,139	\$3,844,048	\$3,873,977
Net income attributable to Sonoco	\$73,284	\$66,334	\$172,470	\$173,219
Earnings per share:				
Pro forma basic	\$0.73	\$0.66	\$1.72	\$1.71
Pro forma diluted	\$0.73	\$0.65	\$1.71	\$1.70

The pro forma information above does not project the Company's expected results of any future period and gives no effect for any future synergistic benefits that may result from consolidating these subsidiaries or costs from integrating their operations with those of the Company. Pro forma information for both 2017 and 2016 includes adjustments to depreciation, amortization, interest expense, and income taxes. Acquisition-related costs of \$4,285 and non-recurring expenses related to fair value adjustments to acquisition-date inventory of \$5,750 were recognized in 2017 in connection with the acquisitions of Packaging Holdings and Clear Lam. These costs are excluded from 2017 pro forma net income and reflected as though having been incurred on January 1, 2016.

During the nine-month period ended October 1, 2017, the Company updated its valuations of the assets and liabilities acquired in conjunction with the 2016 acquisitions of Plastic Packaging Inc. ("PPI") and Laminar Medica ("Laminar") based on information obtained about facts and circumstances that existed as of their respective acquisition dates. As a result, measurement period adjustments were made to the previously disclosed provisional fair values of PPI's net assets that increased identifiable intangibles by \$1,400, increased property, plant and equipment by \$400, increased

the deferred tax liability by \$1,085, and decreased goodwill by \$715. The measurement period adjustments to the previously disclosed provisional fair values of Laminar's net assets decreased goodwill by \$326, decreased deferred tax liabilities by \$487 and decreased property, plant and equipment by \$161.

SONOCO PRODUCTS COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

(unaudited)

Acquisition-related costs of \$963 and \$943 were incurred during the three months ended October 1, 2017 and October 2, 2016, respectively, and \$6,233 and \$2,092 during the nine months ended October 1, 2017 and October 2, 2016, respectively. Acquisition-related costs consist primarily of legal and professional fees and are included in "Selling, general and administrative expenses" in the Company's Condensed Consolidated Statements of Income.

Note 4: Shareholders' Equity

Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share (dollars and shares in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	October 1, 2017	October 2, 2016	October 1, 2017	October 2, 2016
Numerator:				
Net income attributable to Sonoco	\$72,812	\$ 65,395	\$ 169,670	\$ 181,561
Denominator:				
Weighted average common shares outstanding:				
Basic	100,275	100,925	100,214	101,320
Dilutive effect of stock-based compensation	409	654	579	640
Diluted	100,684	101,579	100,793	101,960
Net income attributable to Sonoco per common share:				
Basic	\$0.73	\$ 0.65	\$ 1.69	\$ 1.79
Diluted	\$0.72	\$ 0.64	\$ 1.68	\$ 1.78

Potentially dilutive securities are calculated in accordance with the treasury stock method, which assumes the proceeds from the exercise of all dilutive stock appreciation rights (SARs) are used to repurchase the Company's common stock. Certain SARs are not dilutive because either the exercise price is greater than the average market price of the stock during the reporting period or assumed repurchases from proceeds from the exercise of the SARs were antidilutive. These stock appreciation rights may become dilutive in the future if the market price of the Company's common stock appreciates.

The average number of stock appreciation rights that were not dilutive and therefore not included in the computation of diluted earnings per share during the three- and nine-month periods ended October 1, 2017 and October 2, 2016 was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	October 1, 2017	October 2, 2016	October 1, 2017	October 2, 2016
Anti-dilutive stock appreciation rights	531	—	473	477

No adjustments were made to net income attributable to Sonoco in the computations of earnings per share.

Stock Repurchases

On February 10, 2016, the Company's Board of Directors authorized the repurchase of up to 5,000 shares of the Company's common stock. A total of 2,030 shares were purchased during 2016 at a cost of \$100,000, leaving a total of 2,970 shares remaining available for repurchase at December 31, 2016. No shares were repurchased under this authorization during the nine months ended October 1, 2017. At October 1, 2017, a total of 2,970 shares remain available for repurchase.

The Company frequently repurchases shares of its common stock to satisfy employee tax withholding obligations in association with certain share-based compensation awards. These repurchases, which are not part of a publicly

announced plan or program, totaled 113 shares in the nine months ended October 1, 2017 at a cost of \$5,942, and 136 shares in the nine months ended October 2, 2016 at a cost of \$6,072.

SONOCO PRODUCTS COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Dollars in thousands except per share data)
 (unaudited)

Dividend Declarations

On July 19, 2017, the Board of Directors declared a regular quarterly dividend of \$0.39 per share. This dividend was paid on September 8, 2017 to all shareholders of record as of August 11, 2017.

On October 16, 2017, the Board of Directors declared a regular quarterly dividend of \$0.39 per share. This dividend is payable on December 8, 2017 to all shareholders of record as of November 10, 2017.

Noncontrolling Interests

During the third quarter of 2017, the Company recorded a noncontrolling interest related to the creation of a joint venture for the manufacture of tubes and cores from a facility in Saudi Arabia. The Company owns a 51% share in the joint venture, which is not yet operational. The assets of the joint venture have been consolidated, and a noncontrolling interest in the amount of \$1,341 recorded in the Company's Condensed Consolidated Balance Sheet at October 1, 2017.

Note 5: Restructuring and Asset Impairment

The Company has engaged in a number of restructuring actions over the past several years. Actions initiated in 2017 and 2016 are reported as "2017 Actions" and "2016 Actions," respectively. Actions initiated prior to 2016, all of which were substantially complete at October 1, 2017, are reported as "2015 and Earlier Actions."

Following are the total restructuring and asset impairment charges/(credits), net of adjustments, and gains on dispositions recognized by the Company during the periods presented:

	2017		2016	
	Third Quarter	Nine Months	Third Quarter	Nine Months
Restructuring/Asset impairment:				
2017 Actions	\$1,610	\$7,798	\$—	\$—
2016 Actions	(68)	1,816	3,389	29,434
2015 and Earlier Actions	(1,233)	2,365	2,941	9,402
Other asset impairments	202	540	2,617	2,617
Restructuring/Asset impairment charges	\$511	\$12,519	\$8,947	\$41,453
Income tax benefit	\$(445)	(4,081)	\$(2,097)	(10,442)
Less: Costs attributable to noncontrolling interests, net of tax	(21)	(35)	(34)	(78)
Restructuring/asset impairment charges attributable to Sonoco, net of tax	\$45	\$8,403	\$6,816	\$30,933

Pre-tax restructuring and asset impairment charges are included in "Restructuring/Asset impairment charges" in the Condensed Consolidated Statements of Income.

When recognizable in accordance with GAAP, the Company expects to recognize future additional charges totaling approximately \$1,500 in connection with previously announced restructuring actions. The Company believes that the majority of these charges will be incurred and paid by the end of 2017. The Company continually evaluates its cost structure, including its manufacturing capacity, and additional restructuring actions are likely to be undertaken.

SONOCO PRODUCTS COMPANY

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2017 Actions

During 2017, the Company announced the closure of an expanded foam protective packaging plant in North Carolina (part of the Protective Solutions segment) and a tubes and cores plant in Iowa (part of the Paper and Industrial Converted Products segment). In addition, approximately 120 positions were eliminated in the first nine months of 2017 in conjunction with the Company's ongoing organizational effectiveness efforts.

Below is a summary of 2017 Actions and related expenses by segment and by type incurred and estimated to be incurred through completion.

2017 Actions	Third Quarter 2017	Total Incurred to Date	Estimated Total Cost
Severance and Termination Benefits			
Consumer Packaging	\$60	\$ 1,376	\$ 1,576
Display and Packaging	—	172	172
Paper and Industrial Converted Products	748	\$ 2,952	3,452
Protective Solutions	83	1,057	1,157
Corporate	(4)	452	452
Asset Impairment / Disposal of Assets			
Consumer Packaging	126	126	126
Paper and Industrial Converted Products	13	13	13
Protective Solutions	55	832	832
Other Costs			
Consumer Packaging	37	288	288
Paper and Industrial Converted Products	62	100	650
Protective Solutions	430	430	430
Total Charges and Adjustments	\$1,610	\$ 7,798	\$ 9,148

The following table sets forth the activity in the 2017 Actions restructuring accrual included in "Accrued expenses and other" on the Company's Condensed Consolidated Balance Sheets:

2017 Actions	Severance and Termination Benefits	Asset Impairment/ Disposal of Assets	Other Costs	Total
Liability at December 31, 2016	\$ —	\$ —	\$ —	\$—
2017 charges	6,009	971	818	7,798
Cash receipts/(payments)	(3,674)	457	(818)	(4,035)
Asset write downs/disposals	—	(1,428)	—	(1,428)
Foreign currency translation	29	—	—	29
Liability at October 1, 2017	\$ 2,364	\$ —	\$ —	\$2,364

Included in "Asset Impairment/Disposal of Assets" above is a loss of \$903 primarily relating to the impairment of fixed assets resulting from the closure of an expanded foam protective packaging plant in North Carolina, and losses of \$68 relating primarily to the sale of a vacated building. The Company received proceeds of \$457 from the sale of this building and wrote off assets of \$525.

"Other costs" consists primarily of costs related to plant closures including equipment removal, utilities, plant security, property taxes and insurance. The Company expects to pay the majority of the remaining 2017 Actions restructuring costs by the end of 2017 using cash generated from operations.

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2016 Actions

During 2016, the Company closed four tubes and cores plants - one in the United States, one in Canada, one in Ecuador, and one in Switzerland (all part of the Paper and Industrial Converted Products segment), a packaging services center in Mexico (part of the Display and Packaging segment) and a fulfillment service center in Brazil (part of the Display and Packaging segment). The Company also began manufacturing rationalization efforts in its Reels division (part of the Paper and Industrial Converted Products segment) and completed the sales of a paper mill in France (part of the Paper and Industrial Converted Products segment) and a retail security packaging plant in Puerto Rico (part of the Display and Packaging segment). In addition, the Company continued to realign its cost structure, resulting in the elimination of approximately 180 positions.

Below is a summary of 2016 Actions and related expenses by segment and by type incurred and estimated to be incurred through completion.

2016 Actions	2017		2016		Total Incurred to Date	Estimated Total Cost
	Third Quarter	Nine Months	Third Quarter	Nine Months		
Severance and Termination Benefits						
Consumer Packaging	\$—	\$1	\$766	\$2,218	\$2,408	\$2,408
Display and Packaging	(22)	(18)	372	3,025	4,286	4,286
Paper and Industrial Converted Products	5	419	1,187	5,328	6,306	6,306
Protective Solutions	—	—	109	469	678	678
Corporate	14	14	3	1,442	1,564	1,564
Asset Impairment / Disposal of Assets						
Consumer Packaging	\$—	—	—	(306)	(306)	(306)
Display and Packaging	—	96	475	2,712	2,808	2,808
Paper and Industrial Converted Products	—	45	—	13,279	13,345	13,345
Other Costs						
Consumer Packaging	\$14	42	12	314	773	773
Display and Packaging	20	388	37	48	674	674
Paper and Industrial Converted Products	(99)	779	428	905	2,077	2,077
Protective Solutions	—	50	—	—	200	200
Total Charges and Adjustments	\$(68)	\$1,816	\$3,389	\$29,434	\$34,813	\$34,813

The following table sets forth the activity in the 2016 Actions restructuring accrual included in “Accrued expenses and other” on the Company’s Condensed Consolidated Balance Sheets:

2016 Actions	Severance and Termination Benefits	Asset Impairment/ Disposal of Assets	Other Costs	Total
Accrual Activity 2017 Year to Date				
Liability at December 31, 2016	\$ 3,558	\$ —	\$640	\$4,198
2017 charges	416	141	1,259	1,816
Adjustments	—	—	—	—
Cash payments	(3,098)	—	(1,354)	(4,452)
Asset write downs/disposals	—	(141)	(252)	(393)
Foreign currency translation	12	—	34	46
Liability at October 1, 2017	\$ 888	\$ —	\$327	\$1,215

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“Other costs” consist primarily of costs related to plant closures including equipment removal, utilities, plant security, property taxes and insurance. The Company expects to pay the majority of the remaining 2016 Actions restructuring costs by the end of 2017 using cash generated from operations.

2015 and Earlier Actions

2015 and Earlier Actions are comprised of a number of plant closures and workforce reductions initiated prior to 2016. Included in "Total Charges and Adjustments" below is a gain of \$2,022 related to the sale of land and building of a rigid paper plant in Manchester, England (part of the Consumer Packaging Segment). The Company received proceeds from the sale of \$2,741 and wrote off assets of \$719. Additional charges for these actions in both 2017 and 2016 primarily relate to the cost of plant closures including severance, equipment removal, plant security, property taxes and insurance.

The Company expects to recognize future pretax charges of approximately \$100 associated with 2015 and Earlier Actions.

Below is a summary of expenses incurred by segment for 2015 and Earlier Actions for the three- and nine- month periods ended October 1, 2017 and October 2, 2016.

	2017		2016	
	Third Quarter	Nine Months	Third Quarter	Nine Months
2015 and Earlier Actions				
Consumer Packaging	\$(1,348)	\$1,216	\$2,079	\$7,216
Display and Packaging	—	83	113	679
Paper and Industrial Converted Products	62	953	744	1,368
Protective Solutions	53	106	18	152
Corporate	—	7	(13)	(13)
Total Charges and Adjustments	\$(1,233)	\$2,365	\$2,941	\$9,402

The accrual for 2015 and Earlier Actions totaled \$3,211 and \$3,608 at October 1, 2017 and December 31, 2016, respectively, and is included in “Accrued expenses and other” on the Company’s Condensed Consolidated Balance Sheets. The accrual relates primarily to unpaid severance and building lease terminations. The Company expects the majority of the liability associated with 2015 and Earlier Actions to be paid by the end of 2017 using cash generated from operations.

Other asset impairments

In addition to the restructuring charges discussed above, as a result of the continued devaluation of the Venezuelan Bolivar in 2017, the Company recognized impairment charges against inventories and certain long-term nonmonetary assets totaling \$338. The assets were deemed to be impaired as the U.S. dollar value of the projected cash flows from these assets was no longer sufficient to recover their U.S. dollar carrying values. In addition, the Company has recognized foreign exchange remeasurement losses on net monetary assets of \$202.

During the Company's annual goodwill impairment testing conducted during the third quarter of 2016, management concluded that goodwill associated with the Company's Paper and Industrial Converted Products - Brazil reporting unit had become impaired as a result of the continued deterioration of economic conditions in Brazil. Accordingly, an impairment charge totaling \$2,617, the entire amount of goodwill associated with this reporting unit, was recognized during the third quarter of 2016.

The asset impairment charges and remeasurement loss are included in "Restructuring/Asset impairment charges" in the Company's Condensed Consolidated Statements of Income.

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Note 6: Accumulated Other Comprehensive Loss

The following table summarizes the components of accumulated other comprehensive loss and the changes in the balances of each component of accumulated other comprehensive loss, net of tax as applicable, for the nine months ended October 1, 2017 and October 2, 2016:

	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension Items	Foreign Currency Items	Accumulated Other Comprehensive Loss
Balance at December 31, 2016	\$ 1,939	\$ (453,821)	\$(286,498)	\$ (738,380)
Other comprehensive income/(loss) before reclassifications	(654)	22,337	86,769	108,452
Amounts reclassified from accumulated other comprehensive loss to net income	(2,984)	35,974	—	32,990
Amounts reclassified from accumulated other comprehensive loss to fixed assets	(15)	—	—	(15)
Other comprehensive income/(loss)	(3,653)	58,311	86,769	141,427
Balance at October 1, 2017	\$ (1,714)	\$ (395,510)	\$(199,729)	\$ (596,953)
Balance at December 31, 2015	\$ (5,152)	\$ (444,244)	\$(253,137)	\$ (702,533)
Other comprehensive income/(loss) before reclassifications	1,318	(5,020)	10,282	6,580
Amounts reclassified from accumulated other comprehensive loss to net income	3,897	19,773	—	23,670
Amounts reclassified from accumulated other comprehensive loss to fixed assets	48	—	—	48
Other comprehensive income	5,263	14,753	10,282	30,298
Balance at October 2, 2016	\$ 111	\$ (429,491)	\$(242,855)	\$ (672,235)

"Other comprehensive income/(loss) before reclassifications" during the nine months ended October 1, 2017, includes \$5,071 of "Defined Benefit Pension Items" related to the release of a portion of the valuation allowance on deferred tax assets related to the pension plan of a foreign subsidiary.

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The following table summarizes the effects on net income of significant amounts reclassified from each component of accumulated other comprehensive loss for the three- and nine-month periods ended October 1, 2017 and October 2, 2016:

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss				Affected Line Item in the Condensed Consolidated Statements of Income
	Three Months Ended		Nine Months Ended		
	October 1, 2017	October 2, 2016	October 1, 2017	October 2, 2016	
Gains and losses on cash flow hedges					
Foreign exchange contracts	\$4,814	\$(2,370)	\$8,097	\$(5,217)	Net sales
Foreign exchange contracts	(2,766)	907	(4,808)	2,339	Cost of sales
Commodity contracts	656	(541)	1,367	(3,346)	Cost of sales
	2,704	(2,004)	4,656	(6,224)	Income before income taxes
	(977)	630	(1,672)	2,327	Provision for income taxes
	\$1,727	\$(1,374)	\$2,984	\$(3,897)	Net income
Defined benefit pension items					
Effect of settlement loss ^(a)	\$(476)	\$—	\$(31,550)	\$—	Selling, general and administrative expenses
Amortization of defined benefit pension items ^(a)	(7,155)	(7,392)	(21,994)	(21,903)	Cost of sales
Amortization of defined benefit pension items ^(a)	(2,385)	(2,464)	(7,331)	(7,301)	Selling, general and administrative expenses
	(10,016)	(9,856)	(60,875)	(29,204)	Income before income taxes
	3,935	2,227	24,901	9,431	Provision for income taxes
	\$(6,081)	\$(7,629)	\$(35,974)	\$(19,773)	Net income
Total reclassifications for the period	\$(4,354)	\$(9,003)	\$(32,990)	\$(23,670)	Net income

(a) See Note 10 for additional details.

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The following table summarizes the before and after tax amounts for the various components of other comprehensive income/(loss) for the three-month periods ended October 1, 2017 and October 2, 2016:

	Three months ended October 1, 2017			Three months ended October 2, 2016		
	Before Tax Amount	Tax (Expense) Benefit	After Tax Amount	Before Tax Amount	Tax (Expense) Benefit	After Tax Amount
Foreign currency items	\$26,928	\$ —	\$26,928	\$(3,157)	\$ —	\$(3,157)
Defined benefit pension items:						
Other comprehensive income/(loss) before reclassifications	6,634	(2,414)	4,220	(2,531)	701	(1,830)
Amounts reclassified from accumulated other comprehensive income/(loss) to net income	10,016	(3,935)	6,081	9,856	(2,227)	7,629
Net other comprehensive income/(loss) from defined benefit pension items						