

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