



# Sonoco Products Company (SON)

Updated February 21<sup>st</sup>, 2025 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$47	<b>5 Year CAGR Estimate:</b>	17.6%	<b>Market Cap:</b>	\$4.6 billion
<b>Fair Value Price:</b>	\$73	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	02/26/25
<b>% Fair Value:</b>	64%	<b>5 Year Valuation Multiple Estimate:</b>	9.3%	<b>Dividend Payment Date:</b>	03/10/25
<b>Dividend Yield:</b>	4.4%	<b>5 Year Price Target</b>	\$93	<b>Years Of Dividend Growth:</b>	48
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	Buy

## Overview & Current Events

Sonoco Products provides packaging, industrial products and supply chain services to its customers. The markets that use the company's products include those in the appliances, electronics, beverage, construction and food industries. Sonoco was founded in Hartsville, South Carolina in 1899 and introduced the first paper textile cone. The company generates more than \$5 billion in annual sales. Sonoco Products is now composed of 2 major segments, Consumer Packaging, and Industrial Packaging, with all other businesses listed as "All Other".

On April 17<sup>th</sup>, 2024, Sonoco Products raised its quarterly dividend 2.0% to \$0.52, extending the company's dividend growth streak to 48 consecutive years.

On June 24<sup>th</sup>, 2024, Sonoco Products announced that it had entered into an agreement to purchase European food can manufacturer Eviosys.

On February 18<sup>th</sup>, 2025, Sonoco Products announced fourth quarter results for the period ending December 31<sup>st</sup>, 2024. For the quarter, revenue grew 1.5% to \$1.36 billion, which was \$310 million less than expected. Excluding the impact of acquisitions, adjusted earnings-per-share of \$1.17 compared to \$1.02 in the prior year, but was \$0.03 less than expected. For the year, revenue declined 3% to \$5.3 billion while adjusted earnings-per-share of \$4.89 compared to \$5.26 in 2023.

For the quarter, Consumer Packaging revenues of \$705 million were up 18% from the prior year. The addition of Eviosys aided results, but volumes were up in rigid paper containers. Prices were lower for the period. Industrial Paper Packing sales declined 4% to \$571 million as an increase in volume and pricing was offset by lower sales related to the treatment of recycling as a procurement function effective January 1<sup>st</sup>, 2024. All Other was down 40% to \$88 million, mostly due to the sale of a business unit and weaker volumes.

Sonoco Products provided an outlook for 2025 as well, with the company expecting adjusted earnings-per-share in a range of \$6.00 to \$6.20 for the year.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$2.51	\$2.72	\$2.78	\$3.37	\$3.53	\$3.41	\$3.93	\$6.48	\$5.26	\$4.89	<b>\$6.10</b>	<b>\$7.79</b>
<b>DPS</b>	\$1.37	\$1.46	\$1.54	\$1.62	\$1.70	\$1.72	\$1.80	\$1.92	\$2.02	\$2.07	<b>\$2.08</b>	<b>\$2.65</b>
<b>Shares<sup>1</sup></b>	101	99	99	101	101	101	99	99	99	99	<b>99</b>	<b>99</b>

Earnings-per-share declined 21% from 2008 to 2009, but Sonoco Products was able to return to growth the following year. The company has grown earnings-per-share at a rate of 7.7% since 2015. We maintain our expected growth rate of 5% due to the high base from which earnings-per-share are starting.

Sonoco Products has a long history of dividend growth. Given the very reasonable payout ratio, we project that dividend growth can continue for years to come. We see the payout reaching \$2.65 by 2030.

<sup>1</sup> In millions of shares

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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
<b>Avg. P/E</b>	17.2	17.8	18.5	15.8	17.0	15.6	16.3	9.4	10.6	10.0	<b>7.7</b>	<b>12.0</b>
<b>Avg. Yld.</b>	3.2%	3.0%	3.0%	3.0%	2.8%	3.2%	3.1%	3.2%	3.6%	4.2%	<b>4.4%</b>	<b>2.8%</b>

Shares of Sonoco Products have declined \$4, or 7.8%, since our November 3<sup>rd</sup>, 2024 update. Based off company's guidance for the year, shares trade with a price-to-earnings multiple of 7.7. The stock has a 10-year average P/E ratio of 14.8, but the multiple falls to 12.4 when looking at just last five year. We have lowered our 2030 target P/E to 12 from 14 as this better reflects the average multiple over the medium-term and takes into account somewhat weaker results recently. Reaching this target would add 9.3% annual returns over the next five years. Shares of Sonoco Products currently yield 4.4%, which is well above the stock's long-term average yield of 3.2%.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>Payout</b>	55%	54%	55%	48%	49%	50%	46%	30%	38%	42%	<b>34%</b>	<b>34%</b>

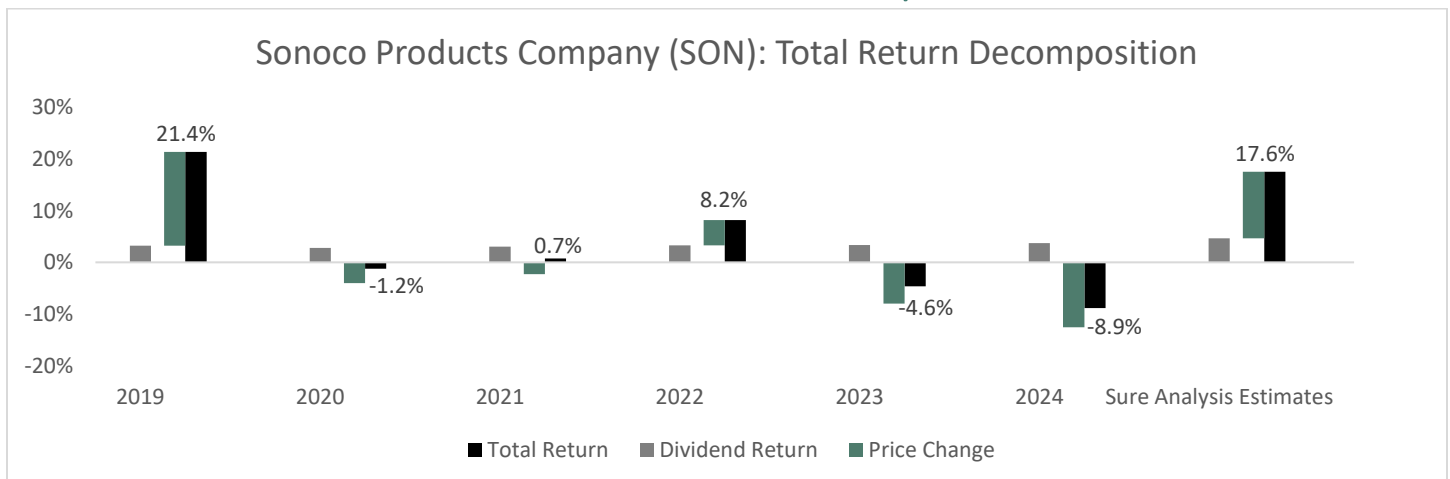
Sonoco Products showed in the last recession that it is somewhat susceptible to deteriorating market conditions. Over the past decade the company has averaged a 47% dividend payout ratio, but it is projected to be much lower than that this year. Sonoco Products has a very reasonable dividend payout ratio of 34% based off our expectations for 2025. As such, Sonoco Products' dividend appears safe.

A key competitive advantage for Sonoco Products is that the company is usually able to pass along rising raw material and transportation costs to its customers. Ability to pass along costs is an advantage as this shows that the company's offerings are in demand. Also helping grow the top and bottom lines is Sonoco Products' history of acquisitions. The Eviosys, Ball Metalpack, Conitex, and Can Packaging acquisitions are prime examples of growing through acquisitions.

## Final Thoughts & Recommendation

After fourth quarter earnings results, Sonoco Products Company is now expected to offer a total annual return of 17.6% through 2030, up from our previous estimate of 15.3%. Our projected return stems from a 5% earnings growth rate, a 4.4% starting yield, and a high single-digit tailwind from multiple expansion. The company has offered aggressive guidance for 2025. There is much to like about the company and the stock, including the dividend growth history and the valuation. We have raised our five-year price target \$1 to \$93 and we continue to view shares of Sonoco Products as a buy due to projected returns.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	4,964	4,783	5,037	5,391	5,374	5,237	5,590	7,251	6,781	5,305
<b>Gross Profit</b>	929	946	959	1,041	1,058	1,046	1,062	1,440	1,436	1,139
<b>Gross Margin</b>	18.7%	19.8%	19.0%	19.3%	19.7%	20.0%	19.0%	19.9%	21.2%	21.5%
<b>SG&amp;A Exp.</b>	496	503	508	563	531	528	558	707	742	724
<b>Operating Profit</b>	433	443	451	478	527	518	504	732	694	415
<b>Operating Margin</b>	8.7%	9.3%	9.0%	8.9%	9.8%	9.9%	9.0%	10.1%	10.2%	7.8%
<b>Net Profit</b>	250	286	175	314	292	207	(85)	466	475	164
<b>Net Margin</b>	5.0%	6.0%	3.5%	5.8%	5.4%	4.0%	-1.5%	6.4%	7.0%	3.1%
<b>Free Cash Flow</b>	261	212	159	397	230	511	43	180	520	456
<b>Income Tax</b>	88	165	147	75	93	53	(67)	119	149	6

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	4,014	3,923	4,558	4,583	5,126	5,277	5,073	7,053	7,192	12,508
<b>Cash &amp; Equivalents</b>	182	257	255	120	145	565	171	227	152	431
<b>Accounts Receivable</b>	628	625	725	737	698	659	756	863	905	908
<b>Inventories</b>	385	373	474	494	504	451	562	1,096	774	1,016
<b>Goodwill &amp; Int. Ass.</b>	1,386	1,317	1,573	1,661	1,818	1,711	1,603	2,417	2,664	5,112
<b>Total Liabilities</b>	2,481	2,368	2,828	2,811	3,311	3,367	3,224	4,980	4,760	10,222
<b>Accounts Payable</b>	508	478	548	556	538	537	721	819	707	1,735
<b>Long-Term Debt</b>	1,128	1,053	1,447	1,385	1,681	1,700	1,611	3,222	3,083	7,040
<b>Shareholder's Equity</b>	1,513	1,532	1,707	1,759	1,803	1,900	1,837	2,066	2,424	2,286
<b>LTD/E Ratio</b>	0.75	0.69	0.85	0.79	0.93	0.90	0.88	1.56	1.27	3.08

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	6.1%	7.2%	4.1%	6.9%	6.0%	4.0%	-1.7%	7.7%	6.7%	1.7%
<b>Return on Equity</b>	16.5%	18.6%	10.7%	17.9%	16.3%	11.1%	-4.5%	23.8%	21.1%	6.9%
<b>ROIC</b>	9.2%	10.9%	6.1%	9.9%	8.8%	5.8%	-2.4%	10.7%	8.8%	2.2%
<b>Shares Out.</b>	101	99	99	101	101	101	99	99	99	99
<b>Revenue/Share</b>	48.48	46.99	49.94	53.37	53.12	51.75	56.12	73.44	68.57	53.43
<b>FCF/Share</b>	2.55	2.08	1.58	3.93	2.27	5.05	0.43	1.83	5.26	4.60

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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