

SONOCO PRODUCTS CO
Form 10-Q
May 06, 2016

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 April 3, 2016
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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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 April 21, 2016:
Common stock, no par value: 100,756,169

SONOCO PRODUCTS COMPANY
INDEX

<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
Item 1. <u>Financial Statements:</u>	<u>3</u>
Condensed Consolidated Balance Sheets - April 3, 2016 (unaudited) and December 31, 2015 (unaudited)	<u>3</u>
Condensed Consolidated Statements of Income – Three Months Ended April 3, 2016 (unaudited) and March 29, 2015 (unaudited)	<u>4</u>
Condensed Consolidated Statements of Comprehensive Income – Three Months Ended April 3, 2016 (unaudited) and March 29, 2015 (unaudited)	<u>5</u>
Condensed Consolidated Statements of Cash Flows – Three Months Ended April 3, 2016 (unaudited) and March 29, 2015 (unaudited)	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>23</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>24</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	<u>33</u>
Item 4. <u>Controls and Procedures.</u>	<u>33</u>
<u>PART II. OTHER INFORMATION</u>	<u>34</u>
Item 1. <u>Legal Proceedings.</u>	<u>34</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	<u>35</u>
Item 6. <u>Exhibits.</u>	<u>35</u>

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SONOCO PRODUCTS COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(Dollars and shares in thousands)

	April 3, 2016	December 31, 2015*
Assets		
Current Assets		
Cash and cash equivalents	\$152,338	\$182,434
Trade accounts receivable, net of allowances	679,528	627,962
Other receivables	38,049	46,801
Inventories:		
Finished and in process	152,750	139,589
Materials and supplies	249,783	245,894
Prepaid expenses	48,037	64,698
	1,320,485	1,307,378
Property, Plant and Equipment, Net	1,121,818	1,112,036
Goodwill	1,154,955	1,140,461
Other Intangible Assets, Net	239,897	245,095
Long-term Deferred Income Taxes	53,098	52,626
Other Assets	157,752	156,089
Total Assets	\$4,048,005	\$4,013,685
Liabilities and Equity		
Current Liabilities		
Payable to suppliers	\$495,200	\$508,057
Accrued expenses and other	281,521	294,227
Notes payable and current portion of long-term debt	117,134	113,097
Accrued taxes	22,413	7,135
	916,268	922,516
Long-term Debt, Net of Current Portion	1,015,804	1,015,270
Pension and Other Postretirement Benefits	412,968	432,964
Deferred Income Taxes	78,185	72,933
Other Liabilities	39,438	37,129
Commitments and Contingencies		
Sonoco Shareholders' Equity		
Common stock, no par value		
Authorized 300,000 shares		
100,752 and 100,944 shares issued and outstanding at April 3, 2016 and December 31, 2015, respectively	7,175	7,175
Capital in excess of stated value	392,150	404,460
Accumulated other comprehensive loss	(663,857)	(702,533)
Retained earnings	1,828,242	1,803,827
Total Sonoco Shareholders' Equity	1,563,710	1,512,929
Noncontrolling Interests	21,632	19,944
Total Equity	1,585,342	1,532,873
Total Liabilities and Equity	\$4,048,005	\$4,013,685

* 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

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

	Three Months Ended	
	April 3, 2016	March 29, 2015
Net sales	\$ 1,226,276	\$ 1,206,052
Cost of sales	981,023	985,662
Gross profit	245,253	220,390
Selling, general and administrative expenses	134,193	96,665
Restructuring/Asset impairment charges	9,228	(359)
Income before interest and income taxes	101,832	124,084
Interest expense	14,189	13,775
Interest income	402	554
Income before income taxes	88,045	110,863
Provision for income taxes	29,194	26,221
Income before equity in earnings of affiliates	58,851	84,642
Equity in earnings of affiliates, net of tax	1,339	1,046
Net income	\$60,190	\$85,688
Net (income)/loss attributable to noncontrolling interests	(276)	92