

SONOCO PRODUCTS CO  
Form 10-K  
March 03, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934  
For the Fiscal Year Ended December 31, 2013

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

I.R.S. Employer Identification

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of South Carolina

No. 57-0248420

1 N. Second St.

Hartsville, SC 29550

Telephone: 843/383-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
No par value common stock	New York Stock Exchange, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 to its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.

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Large accelerated filer  Accelerated filer  Non-accelerated filer  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

The aggregate market value of voting common stock held by nonaffiliates of the registrant (based on the New York Stock Exchange closing price) on June 30, 2013, which was the last business day of the registrant's most recently completed second fiscal quarter, was \$3,448,286,908. Registrant does not (and did not at June 30, 2013) have any non-voting common stock outstanding.

As of February 7, 2014, there were 102,277,365 shares of no par value common stock outstanding.

Documents Incorporated by Reference

Portions of the Proxy Statement for the annual meeting of shareholders to be held on April 16, 2014, which statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates, are incorporated by reference in Part III.

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Sonoco Products Company

Forward-looking statements

Statements included in this Annual Report on Form 10-K that are not historical in nature, are intended to be, and are hereby identified as forward-looking statements for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. In addition, the Company and its representatives may from time to time make other oral or written statements that are also forward-looking statements. Words such as estimate, project, intend, expect, believe, consider, plan, strategy, opportunity, commitment, target, anticipate, outlook, forecast, future, re-envision, will, would, can, could, may, might, aspires, potential, and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding:

availability and supply of raw materials, and offsetting high raw material costs;

improved productivity and cost containment;

improving margins and leveraging strong cash flow and financial position;

effects of acquisitions and dispositions;

realization of synergies resulting from acquisitions;

costs, timing and effects of restructuring activities;

adequacy and anticipated amounts and uses of cash flows;

expected amounts of capital spending

refinancing and repayment of debt;

financial strategies and the results expected of them;

financial results for future periods;

producing improvements in earnings;

profitable sales growth and rates of growth;

market leadership;

research and development spending;

extent of, and adequacy of provisions for, environmental liabilities;

adequacy of income tax provisions, realization of deferred tax assets, outcomes of uncertain tax issues and tax rates;

goodwill impairment charges and fair values of reporting units;

future asset impairment charges and fair values of assets;

anticipated contributions to pension and postretirement benefit plans, fair values of plan assets, long-term rates of return on plan assets, and projected benefit obligations and payments;

creation of long-term value and returns for shareholders;

continued payment of dividends; and

planned stock repurchases.

Such forward-looking statements are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management. Such information includes, without limitation, discussions as to guidance and other estimates, perceived opportunities, expectations, beliefs, plans, strategies, goals and objectives concerning our future financial and operating performance. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. The risks, uncertainties and assumptions include, without limitation:

availability and pricing of raw materials, energy and transportation, and the Company's ability to pass raw material, energy and transportation price increases and surcharges through to customers or otherwise manage these commodity pricing risks;

costs of labor;

work stoppages due to labor disputes;

success of new product development, introduction and sales;

consumer demand for products and changing consumer preferences;

ability to be the low-cost global leader in customer-preferred packaging solutions within targeted segments;

competitive pressures, including new product development, industry overcapacity, and changes in competitors pricing for products;

ability to maintain or increase productivity levels, contain or reduce costs, and maintain positive price/cost relationships;

ability to improve margins and leverage cash flows and financial position;

continued strength of our paperboard-based tubes and cores and composite can operations;

ability to manage the mix of business to take advantage of growing markets while reducing cyclical effects of some of the Company's existing businesses on operating results;

ability to maintain innovative technological market leadership and a reputation for quality;

ability to profitably maintain and grow existing domestic and international business and market share;

ability to expand geographically and win profitable new business;

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ability to identify and successfully close suitable acquisitions at the levels needed to meet growth targets, and successfully integrate newly acquired businesses into the Company's operations;

the costs, timing and results of restructuring activities;

availability of credit to us, our customers and suppliers in needed amounts and on reasonable terms;

effects of our indebtedness on our cash flow and business activities;

fluctuations in obligations and earnings of pension and postretirement benefit plans;

accuracy of assumptions underlying projections of benefit plan obligations and payments, valuation of plan assets, and projections of long-term rates of return;

cost of employee and retiree medical, health and life insurance benefits;

resolution of income tax contingencies;

foreign currency exchange rate fluctuations, interest rate and commodity price risk and the effectiveness of related hedges;

changes in U.S. and foreign tax rates, and tax laws, regulations and interpretations thereof;

accuracy in valuation of deferred tax assets;

accuracy of assumptions underlying projections related to goodwill impairment testing, and accuracy of management's assessment of goodwill impairment;

accuracy of assumptions underlying fair value measurements, accuracy of management's assessments of fair value and fluctuations in fair value;

liability for and anticipated costs of environmental remediation actions;

effects of environmental laws and regulations;

operational disruptions at our major facilities;

failure or disruptions in our information technologies;

loss of consumer or investor confidence;

ability to protect our intellectual property rights;

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actions of domestic or foreign government agencies and changes in laws and regulations affecting the Company;  
international, national and local economic and market conditions and levels of unemployment; and  
economic disruptions resulting from terrorist activities and natural disasters.

More information about the risks, uncertainties and assumptions that may cause actual results to differ materially from those expressed or forecasted in forward-looking statements is provided in Item 1A Risk Factors and throughout other sections of this report and in other reports filed with the Securities and Exchange Commission. In light of these various risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report on Form 10-K might not occur.

The Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. You are, however, advised to review any further disclosures we make on related subjects, and about new or additional risks, uncertainties and assumptions, in our future filings with the Securities and Exchange Commission on Forms 10-K, 10-Q and 8-K.

[References to our website address](#)

References to our website address and domain names throughout this Annual Report on Form 10-K are for informational purposes only, or to fulfill specific disclosure requirements of the Securities and Exchange Commission's rules or the New York Stock Exchange Listing Standards. These references are not intended to, and do not, incorporate the contents of our websites by reference into this Annual Report on Form 10-K.



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### Part I

#### Item 1. Business

##### (A) General development of business

The Company is a South Carolina corporation founded in Hartsville, South Carolina, in 1899 as the Southern Novelty Company. The name was subsequently changed to Sonoco Products Company (the Company or Sonoco). Sonoco is a manufacturer of industrial and consumer packaging products and a provider of packaging services, with 335 locations in 33 countries.

Information about the Company's acquisitions, dispositions, joint ventures and restructuring activities is provided in Notes 3 and 4 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

##### (B) Financial information about segments

The Company reports its financial results in four reportable segments—Consumer Packaging, Paper and Industrial Converted Products, Display and Packaging, and Protective Solutions. Information about the Company's reportable segments is provided in Note 16 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Effective January 1, 2014, Sonoco Alloyd, the Company's retail packaging component and currently part of the Protective Solutions segment, will be reported as part of the Display and Packaging segment. This change reflects the evolving integration occurring between these businesses, enabling them to better leverage the Company's capabilities, products and services to provide complete solutions to our retail merchandising customers. As these changes did not take effect until 2014, Sonoco Alloyd is presented in the Protective Solutions segment as of December 31, 2013.

##### (C) Narrative description of business

**Products and Services** The following discussion outlines the principal products produced and services provided by the Company.

##### Consumer Packaging

The Consumer Packaging segment accounted for approximately 39%, 40% and 44% of the Company's consolidated net sales in 2013, 2012 and 2011, respectively. The operations in this segment consist of 77 plants throughout the world. The products, services and markets of the Consumer Packaging segment are as follows:

##### Products and Services

Round composite cans, shaped rigid paperboard containers, fiber caulk/adhesive tubes, aluminum, steel and peelable membrane easy-open closures for composite and metal cans; plastic bottles, jars,

##### Markets

Snacks, nuts, cookies, crackers, hard-baked goods, desserts, candy, gum, frozen concentrate, powdered and liquid beverages, non-carbonated beverages, ready-to-drink products, powdered infant formula, coffee, refrigerated dough, frozen

jugs, cups and trays; printed flexible packaging, rotogravure cylinder engraving, global brand management

entrees, processed food, vegetables, fruit, seafood, poultry, soup, pasta, dairy, sauces, dips, fresh-cut produce, pet food, home and personal care, adhesives

Sonoco's rigid packaging paper-based products is the Company's second largest revenue-producing group of products and services, representing approximately 17%, 17% and 19% of consolidated net sales in 2013, 2012 and 2011, respectively.

### Display and Packaging

The Display and Packaging segment accounted for approximately 11%, 10% and 10% of the Company's consolidated net sales in 2013, 2012 and 2011, respectively. The products, services and markets of the Display and Packaging segment are as follows:

#### Products and Services

Point-of-purchase displays, custom packaging, fulfillment, primary package filling, supply chain management, paperboard specialties

#### Markets

Automotive, beverages, candy, electronics, personal care, baby care, food, cosmetics, fragrances, hosiery, office supplies, toys, home and garden, medical, over-the-counter drugs, sporting goods, hospitality industry, advertising

### Paper and Industrial Converted Products

The Paper and Industrial Converted Products segment accounted for approximately 38%, 38% and 42% of the Company's consolidated net sales in 2013, 2012 and 2011, respectively. This segment serves its markets through 192 plants on five continents. Sonoco's paper operations provide the primary raw material for the Company's fiber-based packaging. Sonoco uses approximately 56% of the paper it manufactures, and the remainder is sold to third parties. This vertical integration strategy is supported by 20 paper mills with 30 paper machines and 25 recycling facilities throughout the world. In 2013, Sonoco had the capacity to manufacture approximately 1.8 million tons of recycled paperboard. The products, services and markets of the Paper and Industrial Converted Products segment are as follows:

#### Products and Services

Recycled paperboard, chipboard, tubeboard, lightweight corestock, boxboard, linerboard, corrugating medium, specialty grades; paperboard tubes and cores, molded plugs, reels; collection, processing and recycling of old corrugated containers, paper, plastics, metal, glass and other recyclable materials

#### Markets

Converted paperboard products, spiral winders, beverage insulators, construction, film, flowable products, metal, paper mills, shipping and storage, tape and label, textiles, wire and cable, municipal, residential, customers' manufacturing and distribution facilities

Sonoco's tubes and core products are the Company's largest revenue-producing group of products, representing approximately 24%, 24% and 25% of consolidated net sales in 2013, 2012 and 2011, respectively.

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### Protective Solutions

The Protective Solutions segment accounted for approximately 12%, 12% and 4% of the Company's consolidated net sales in 2013, 2012 and 2011, respectively. The products, services and markets of the Protective Solutions segment are as follows:

#### Products and Services

Highly engineered, custom-designed protective, temperature-assurance and retail security packaging solutions

#### Markets

Consumer electronics, automotive, appliances, medical devices, temperature-sensitive pharmaceuticals and food, heating and air conditioning, office furnishings, fitness equipment, promotional and palletized distribution

**Product Distribution** Each of the Company's operating units has its own sales staff, and maintains direct sales relationships with its customers. For those customers that buy from more than one business unit, the Company often assigns a single representative or team of specialists to handle that customer's needs. Some of the units have service staff at the manufacturing facility that interacts directly with customers. The Paper and Industrial Converted Products segment also has a customer service center located in Hartsville, South Carolina, which is the main contact point between its North American business units and its customers. Divisional sales personnel also provide sales management, marketing and product development assistance as needed. Typically, product distribution is directly from the manufacturing plant to the customer, but in some cases, product is warehoused in a mutually advantageous location to be shipped to the customer as needed.

**Raw Materials** The principal raw materials used by the Company are recovered paper, paperboard, steel, aluminum and plastic resins. Raw materials are purchased from a number of outside sources. The Company considers the supply and availability of raw materials to be adequate to meet its needs.

**Patents, Trademarks and Related Contracts** Most inventions and product and process innovations are generated by Sonoco's development and engineering staff, and are important to the Company's internal growth. Patents have been granted on many inventions created by Sonoco staff in the United States and in many other countries. These patents are managed globally by a Sonoco intellectual capital management team through the Company's subsidiary, Sonoco Development, Inc. (SDI). SDI globally manages patents, trade secrets, confidentiality agreements and license agreements. Some patents have been licensed to other manufacturers. Sonoco also licenses a few patents from outside companies and universities. U.S. patents expire after about 20 years and patents on new innovations replace many of the abandoned or expired patents. A second intellectual capital subsidiary of Sonoco, SPC Resources, Inc., globally manages Sonoco's trademarks, service marks, copyrights and Internet domain names. Most of Sonoco's products are marketed worldwide under trademarks such as Sonoco®, SmartSeal®, Sonotube®, Sealclick®, Sonopost® and UltraSeal®. Sonoco's registered web domain names such as www.sonoco.com and www.sonotube.com provide information about Sonoco, its people and products. Trademarks and domain names are licensed to outside companies where appropriate.

**Seasonality** The Company's operations are not seasonal to any significant degree, although the Consumer Packaging and Display and Packaging segments normally report slightly higher sales and operating profits in the second half of

the year, when compared with the first half.

**Working Capital Practices** The Company is not required to carry any significant amounts of inventory to meet customer requirements or to assure itself continuous allotment of goods.

**Dependence on Customers** On an aggregate basis during 2013, the five largest customers in the Paper and Industrial Converted Products segment, the Consumer Packaging segment and the Protective Solutions segment accounted for approximately 7%, 35% and 25%, respectively, of each segment's net sales. The dependence on a few customers in the Display and Packaging segment is more significant, as the five largest customers in this segment accounted for approximately 63% of that segment's sales.

Sales to the Company's largest customer represented approximately 7% of consolidated revenues in 2013. This concentration of sales volume resulted in a corresponding concentration of credit, representing approximately 5% of the Company's consolidated trade accounts receivable at December 31, 2013. The Company's next largest customer comprised approximately 5% of the Company's consolidated revenues for the year ended December 31, 2013.

**Backlog** Most customer orders are manufactured with a lead time of three weeks or less. Therefore, the amount of backlog orders at December 31, 2013, was not material. The Company expects all backlog orders at December 31, 2013, to be shipped during 2014.

**Competition** The Company sells its products in highly competitive markets, which include paper, textile, film, food, chemical, packaging, construction, and wire and cable. All of these markets are influenced by the overall rate of economic activity and their behavior is principally driven by supply and demand. Because we operate in highly competitive markets, we regularly bid for new and continuing business. Losses and/or awards of business from our largest customers, customer changes to alternative forms of packaging, and the repricing of business, can have a significant effect on our operating results. The Company manufactures and sells many of its products globally. The Company, having operated internationally since 1923, considers its ability to serve its customers worldwide in a timely and consistent manner a competitive advantage. The Company also believes that its technological leadership, reputation for quality, and vertical integration are competitive advantages. Expansion of the Company's product lines and global presence is driven by the rapidly changing needs of its major customers, who demand high-quality, state-of-the-art, environmentally compatible packaging, wherever they choose to do business. It is important to be a low-cost producer in order to compete effectively. The Company is constantly focused on productivity improvements and other cost-reduction initiatives utilizing the latest in technology.

**Research and Development** Company-sponsored research and development expenses totaled approximately \$20.1 million in 2013, \$20.2 million in 2012 and \$18.8 million in 2011. Customer-sponsored research and development expenses were not material in any of these periods. Significant projects in Sonoco's Consumer Packaging segment include a broad range of cost-reduction projects, high-value flexible packaging enhancements, rigid plastic containers technology and next-generation composite packaging. During 2013, the Paper and Industrial Converted Products segment continued to invest in efforts to design and develop new products for the construction industry and for the film and tape industries. In addition, efforts were focused on enhancing performance characteristics of

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the Company's tubes and cores in the textile, film and paper packaging areas, as well as on projects aimed at enhancing productivity. Research and development projects in the Company's Protective Solutions segment were primarily focused on developing new temperature-assurance solutions for the pharmaceuticals market.

**Compliance with Environmental Laws** Information regarding compliance with environmental laws is provided in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption Risk Management, and in Note 14 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

**Number of Employees** Sonoco had approximately 19,900 employees worldwide as of December 31, 2013.

**(D) Financial information about geographic areas**

Financial information about geographic areas is provided in Note 16 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, and in the information about market risk in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption Risk Management of this Annual Report on Form 10-K.

**(E) Available information**

The Company electronically files with the Securities and Exchange Commission (SEC) its annual reports on Form 10-K, its quarterly reports on Form 10-Q, its periodic reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the 1934 Act), and proxy materials pursuant to Section 14 of the 1934 Act. The SEC maintains a site on the Internet, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Sonoco also makes its filings available, free of charge, through its website, [www.sonoco.com](http://www.sonoco.com), as soon as reasonably practical after the electronic filing of such material with the SEC.

**Executive Officers of the Registrant**

Name	Age	Position and Business Experience for the Past Five Years
<b>Executive Committee</b>		
M. Jack Sanders	60	President and Chief Executive Officer since April 2013. Previously President and Chief Operating Officer December 2010-March 2013; Executive Vice President, Consumer January-December 2010; Executive Vice President, Industrial 2008-2010. Joined Sonoco in 1987.
Vicki B. Arthur	55	Vice President, Global Protective Solutions since April 2013. Previously Vice President, Protective Solutions, N.A. 2012-2013; Vice President Global Corporate Customers 2008-2012. Joined Sonoco in 1984.
R. Howard Coker	51	Group Vice President, Global Rigid Paper & Plastics since January 2013. Previously Vice President, Global Rigid Paper & Closures 2011-2013; Vice President, Rigid Paper & Closures, N.A.

John M. Colyer Jr.	53	2009-2011; Division Vice President & General Manager, Rigid Paper & Closures, N.A. 2008-2009. Joined Sonoco in 1985. Senior Vice President, Global Industrial Products & Protective Solutions since January 2013. Previously Vice President, Global Paper & Industrial Converted Products 2012-2013; Vice President, Global Industrial Converting 2010-2011; Vice President N.A Converting 2009-2010; Vice President, Industrial Converting 2008-2009. Joined Sonoco in 1983.
Rodger D. Fuller	52	Group Vice President, Paper & Industrial Converting N.A. since January 2013. Previously Vice President, Global Rigid Plastics & Corporate Customers 2011-2013; Vice President, Global Rigid Paper & Plastics January-October 2011; Vice President, Global Rigid Paper & Closures 2008-2011. Joined Sonoco in 1985.
Allan H. McLeland	47	Vice President, Human Resources since January 2011. Previously Staff Vice President, Human Resources, Industrial 2010-2011; Director of Human Resources, Industrial 2009-2010. Joined Sonoco in 1993.
Marty F. Pignone	57	Vice President, Primary Materials Group N.A. since December 2012. Previously Vice President, Global Operating Excellence 2011-2012; Vice President, Global Manufacturing, Industrial 2008-2011. Joined Sonoco in 1997.
Barry L. Saunders	54	Vice President and Chief Financial Officer since May 2011. Previously Vice President, & Corporate Controller & Chief Accounting Officer 2008-2011. Joined Sonoco in 1989.
Robert C. Tiede	55	Senior Vice President, Global Consumer Packaging & Services since January 2013. Previously Vice President, Global Flexible & Packaging Services 2009-2013; Vice President, Flexible Packaging & Services 2007-2009. Joined Sonoco in 2004.

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Name	Age	Position and Business Experience for the Past Five Years
<b>Other Corporate Officers</b>		
Ritchie L. Bond	57	Vice President, Treasurer and Corporate Secretary since February 2011. Previously Staff Vice President, Treasurer & Corporate Secretary 2009-2011. Joined Sonoco in 2005.
James A. Harrell III	52	Vice President, Tubes & Cores N.A. since March 2012. Previously Vice President, Industrial Converting Division N.A. 2010-2011; Division Vice President & General Manager, Industrial Converted Division 2009-2010; Division Vice President & General Manager, Paper, N.A. 2008-2009. Joined Sonoco in 1985.
Kevin P. Mahoney	58	Sr. Vice President, Corporate Planning since February 2011. Previously Vice President, Corporate Planning 2000-2011. Joined Sonoco in 1987.
Robert L. Puechl	58	Vice President, Global Flexibles since January 2011. Previously Vice President, Global Plastics 2010-2011; Division Vice President & General Manager, Global Plastics 2008-2010. Joined Sonoco in 1986.
Roger P. Schrum	58	Vice President, Investor Relations & Corporate Affairs since February 2009. Previously Staff Vice President, Investor Relations & Corporate Affairs 2005-2009. Joined Sonoco in 2005.
Marcy J. Thompson	52	Vice President, Marketing and Innovation since July 2013. Previously Vice President, Rigid Paper N.A. 2011-2013. Division Vice President & General Manager, Sonoco Recycling 2009-2011; Division Vice President & General Manager, Industrial Products Division, N.A. 2008-2009. Joined Sonoco in 2006.

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### Item 1A. Risk factors

We are subject to risks and uncertainties that could adversely affect our business, consolidated financial condition, results of operations and cash flows, and the trading price of our securities. These factors could also cause our actual results to materially differ from the results contemplated by forward-looking statements we make in this report, in our other filings with the Securities and Exchange Commission, and in our public announcements. You should consider the risk factors described below, as well as other factors described elsewhere in this report and in our other filings with the Securities and Exchange Commission, in evaluating us, our business, and any investment in our securities. Although these are the most significant risk factors of which we are currently aware, they are not the only risk factors to which we are subject. Additional risk factors not currently known to us, or that we currently deem immaterial, could also adversely affect our business operations and financial results.

Challenging current and future global economic conditions have had, and may continue to have, a negative impact on our business operations and financial results.

Although our business is diversified across various markets and customers, because of the nature of our products and services, general economic downturns in the United States and globally can adversely affect our business operations and financial results. The current global economic challenges, including relatively high levels of unemployment, shrinking middle class incomes and slowing consumption, the difficulties of the United States and other countries in dealing with their rising debt levels, and currency fluctuations are likely to continue to put pressure on the economy, and on us. As we have experienced over the past several years, tightening of credit availability and/or financial difficulties, leading to declines in consumer and business confidence and spending, affect us, our customers, suppliers and distributors. When such conditions exist, customers may delay, decrease or cancel purchases from us, and may also delay payment or fail to pay us altogether. Suppliers may have difficulty filling our orders and distributors may have difficulty getting our products to market, which may affect our ability to meet customer demands, and result in loss of business. Weakened global economic conditions may also result in unfavorable changes in our product price/mix and lower profit margins. All of these factors may have a material adverse effect on us.

Our international operations subject us to various risks that could adversely affect our business operations and financial results.

We have operations throughout North and South America, Europe, Australia and Asia, with 335 facilities in 33 countries. In 2013, approximately 33% of consolidated sales came from operations and sales outside of the United States, and we expect to continue to expand our international operations in the future. Management of global operations is extremely complex, and operations in foreign countries are subject to additional risks that may not exist, or be as significant, in the United States. These additional risks may adversely affect our business operations and financial results, and include, without limitation:

foreign currency exchange rate fluctuations and foreign currency exchange controls;

hyperinflation and currency devaluation;

possible limitations on conversion of foreign currencies into dollars or payment of dividends and other payments by non-U.S. subsidiaries;



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non-tariff barriers, duties, taxes or government royalties, including the imposition or increase of withholding and other taxes on remittances and other payments by non-U.S. subsidiaries;

changes in tax laws, or the interpretation of such laws, affecting foreign tax credits or tax deductions relating to our non U.S. earnings or operations, and difficulties in repatriating cash generated or held by non-U.S. subsidiaries in a tax efficient manner;

inconsistent product regulation or policy changes by foreign agencies or governments;

difficulties in enforcement of contractual obligations and intellectual property rights;

high social benefit costs for labor, including more expansive rights of foreign unions and work councils, and costs associated with restructuring activities;

national and regional labor strikes;

difficulties in staffing and managing international operations;

geographic, language and cultural differences between personnel in different areas of the world;

foreign governments restrictive trade policies, and customs, import/export and other trade compliance regulations;

compliance with and changes in applicable foreign laws;

compliance with U.S. laws, including those affecting trade and foreign investment and the Foreign Corrupt Practices Act;

loss or non-renewal of treaties between foreign governments and the U.S.;

product boycotts, including with respect to products of our multi-national customers;

increased costs of maintaining international manufacturing facilities and undertaking international marketing programs;

difficulty in collecting international accounts receivable and potentially longer payment cycles;

the potential for nationalization or expropriation of our enterprises or facilities without appropriate compensation; and

political, social, legal and economic instability, civil unrest, war, catastrophic events, acts of terrorism, and widespread outbreaks of infectious diseases.

Raw materials, energy and other price increases or shortages may reduce our net income.

As a manufacturer, our sales and profitability are dependent on the availability and cost of raw materials, labor and other inputs. Most of the raw materials we use are purchased from third parties. Principal examples are recovered paper, steel, aluminum and resin. Prices and availability of these raw materials are subject to substantial fluctuations that are beyond our control due to factors such as changing economic conditions, currency and commodity price fluctuations, resource availability, transportation costs, weather conditions and natural disasters, political unrest and instability, and other factors impacting supply and demand pressures. Increases in costs can have an adverse effect on our business and financial results. Our performance depends, in part, on our ability to pass on cost increases to our

customers by raising selling prices and/or offset the impact by improving productivity. Although many of our long-term contracts and non-contractual pricing arrangements with customers permit limited price adjustments to reflect increased raw material costs, such adjustments may not occur quickly enough, or be sufficient to prevent a materially adverse effect on net income

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and cash flow. Furthermore, we may not be able to improve productivity or realize sufficient savings from our cost reduction initiatives to offset the impact of increased costs.

Some of our manufacturing operations require the use of substantial amounts of electricity and natural gas, which may be subject to significant price increases as the result of changes in overall supply and demand and the impacts of legislation and regulatory action. We forecast and monitor energy usage, and, from time to time, use commodity futures or swaps in an attempt to reduce the impact of energy price increases. However, we cannot guarantee success in these efforts, and we could suffer adverse effects to net income and cash flow should we be unable to either offset or pass higher energy costs through to our customers in a timely manner or at all.

Supply shortages or disruptions in our supply chains could affect our ability to obtain timely delivery of materials, equipment and supplies from our suppliers, and, in turn, adversely affect our ability to supply products to our customers. Such disruptions could have a material adverse effect on our business and financial results.

We may not be able to identify suitable acquisition candidates, which could limit our potential for growth.

We have made numerous acquisitions in recent years, and may actively seek new acquisitions that management believes will provide meaningful opportunities for growth. However, we may not be able to identify suitable acquisition candidates or complete acquisitions on acceptable terms and conditions. Other companies in our industries have similar investment and acquisition strategies to ours, and competition for acquisitions may intensify. If we are unable to identify acquisition candidates that meet our criteria, our potential for growth may be restricted.

We may encounter difficulties in integrating acquisitions, which could have an adverse impact on our financial condition and operating results.

Acquired businesses may not achieve the expected levels of revenue, profitability or productivity, or otherwise perform as expected, and acquisitions may involve significant cash expenditures, debt incurrence, operating losses, and expenses that could have a material adverse effect on our financial condition and operating results. Acquisitions also involve special risks, including, without limitation, the potential assumption of unanticipated liabilities and contingencies, and the challenges of effectively integrating acquired businesses. While management believes that acquisitions will improve our competitiveness and profitability, no assurance can be given that acquisitions will be successful or accretive to earnings. If actual performance in an acquisition falls significantly short of the projected results, or the assessment of the relevant facts and circumstances was inaccurate or changes, it is possible that a noncash impairment charge of any related goodwill would be required.

We may encounter difficulties restructuring operations or closing or disposing of facilities.

We are continuously seeking the most cost-effective means and structure to serve our customers and to respond to changes in our markets. Accordingly, from time to time, we have, and are likely to again close higher-cost facilities, sell non-core assets and otherwise restructure operations in an effort to improve cost competitiveness and profitability. As a result, restructuring and divestiture costs have been, and are expected to be, a recurring component of our operating costs, and may vary significantly from year to year depending on the scope of such activities. Divestitures and restructuring may also result in significant financial charges for the write-off or impairment of assets, including goodwill and other intangible assets. Furthermore, such activities may divert the attention of management, disrupt our

ordinary operations, or result in a reduction in the volume of products produced and sold. There is no guarantee that any such activities will achieve our goals, and if we cannot successfully manage the associated risks, our financial position and results of operations could be adversely affected.

We face intense competition, and failure to compete effectively can have an adverse effect on our operating results.

We sell our products in highly competitive markets. We regularly bid for new and continuing business, and being a responsive, high-quality, low-cost producer is a key component of effective competition. The loss of business from our larger customers, customer changes to alternative forms of packaging, or renewal of business with less favorable terms can have a significant adverse effect on our operating results.

We are subject to costs and liabilities related to environmental, health and safety, and corporate social responsibility laws and regulations that could adversely affect operating results.

We must comply with extensive laws, rules and regulations in the United States and in each of the countries in which we do business regarding the environment, health and safety, and corporate social responsibility. Compliance with these laws and regulations can require significant expenditures of financial and employee resources.

Federal, state, provincial, foreign and local environmental requirements, including the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), and particularly those relating to air, soil and water quality, handling, discharge, storage and disposal of a variety of substances, and climate change are significant factors in our business and generally increase our costs of operations. We may be found to have environmental liability for the costs of remediating soil or water that is, or was, contaminated by us or a third party at various sites that we now, or previously, owned, used or operated. Legal proceedings may result in the imposition of fines or penalties, as well as mandated remediation programs, that require substantial, and in some instances, unplanned capital expenditures.

We have incurred in the past, and may incur in the future, fines, penalties and legal costs relating to environmental matters, and costs relating to the damage of natural resources, lost property values and toxic tort claims. We have made expenditures to comply with environmental regulations and expect to make additional expenditures in the future. As of December 31, 2013, approximately \$73 million was reserved for environmental liabilities. Such reserves are established when it is considered probable that we have some liability. However, because the extent of potential environmental damage, and the extent of our liability for the damage, is usually difficult to assess and may only be ascertained over a long period of time, our actual liability in such cases may end up being substantially higher than the currently reserved amount. Accordingly, additional charges could be incurred that would have a material adverse effect on operating results and financial position.

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Many of our products come into contact with the food and beverages they package, and therefore we are subject to risks and liabilities related to health and safety matters in connection with those products.

Recently adopted disclosure regulations relating to the use of conflict minerals sourced from the Democratic Republic of the Congo and adjoining countries could affect the sourcing, availability and cost of materials used in the manufacture of some of our products. We will also incur costs associated with supply chain due diligence, and, if applicable, potential changes to products, processes or sources of supply as a result of such due diligence. Because our supply chain is complex, we may also face reputation risk with our customers and other stakeholders if we are unable sufficiently to verify the origins of all such minerals used in our products.

Changes to laws and regulations dealing with environmental, health and safety, and corporate social responsibility issues are made or proposed with some frequency, and some of the proposals, if adopted, might, directly or indirectly, result in a material reduction in the operating results of one or more of our operating units. However, any such changes are uncertain, and we cannot predict the amount of additional capital expenditures or operating expenses that could be necessary for compliance.

Changes in pension plan assets or liabilities may reduce operating results and shareholders' equity.

We sponsor various defined benefit plans worldwide, and have an aggregate projected benefit obligation for these plans of approximately \$1.6 billion. The difference between defined benefit plan obligations and assets (the funded status of the plans) significantly affects the net periodic benefit costs and the ongoing funding requirements of the plans. Among other factors, changes in discount rates and lower-than-expected actual investment returns could substantially increase our future plan funding requirements and have a negative impact on our results of operations and cash flows. We have total assets of approximately \$1.3 billion funding a portion of the projected benefit obligations of the plans, which consist primarily of mutual funds, common stocks and debt securities and also include alternative investments such as interests in real estate funds and hedge funds. If the performance of these assets does not meet our assumptions or discount rates decline, the underfunding of the plans may increase and we may have to contribute additional funds to these plans, and our pension expense may increase, which could adversely affect operating results and shareholders' equity.

We may not be able to develop new products acceptable to the market.

For many of our businesses, organic growth depends on product innovation, new product development and timely response to constantly changing consumer demands and preferences. Sales of our products and services depend heavily on the volume of sales made by our customers to consumers. Consumer preferences for products and packaging formats are constantly changing based on, among other factors, cost, convenience, and health, environmental and social concerns and perceptions. Failure to develop new or better products in response to changing consumer preferences in a timely manner may hinder our growth potential and affect our competitive position, and adversely affect our business and results of operations.

We, or our customers, may not be able to obtain necessary credit or, if so, on reasonable terms.

We have outstanding \$0.9 billion of debentures. We also operate a \$350 million commercial paper program, supported by a five-year bank credit facility of an equal amount committed by a syndicate of eight banks until October 2017. If

we were prevented from issuing commercial paper, we have the contractual right to draw funds directly on the underlying bank credit facility. We believe that the lenders have the ability to meet their obligations under the facility. However, if these obligations were not met, we may be forced to seek more costly or cumbersome forms of credit. Should such credit be unavailable for an extended time, it would significantly affect our ability to operate our business and execute our plans. In addition, our customers may experience liquidity problems as a result of a negative change in the economic environment, including the ability to obtain credit, that could limit their ability to purchase our products and services or satisfy their existing obligations.

Our credit ratings are important to our ability to issue commercial paper at favorable rates of interest. A downgrade in our credit rating could increase our cost of borrowing.

Certain of our debt agreements impose restrictions with respect to the maintenance of financial ratios and the disposition of assets. The most restrictive covenant currently requires us to maintain a minimum level of interest coverage, and a minimum level of net worth. Although we were substantially above these minimum levels at December 31, 2013, these restrictive covenants could adversely affect our ability to engage in certain business activities that would otherwise be in our best long-term interests.

Our indebtedness could adversely affect our cash flow, increase our vulnerability to economic conditions, and limit or restrict our business activities.

A significant portion of our cash flow must be used to service our indebtedness, and therefore is not available to be used in our business. Our ability to generate cash flow is subject to general economic, financial, competitive, legislative, regulatory, and other factors that may be beyond our control. Our indebtedness could have a significant impact on us, including, but not limited to:

- increasing our vulnerability to general adverse economic and industry conditions;

- requiring us to dedicate a significant portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, acquisitions and capital expenditures, and for other general corporate purposes;

- limiting our flexibility in planning for, or reacting to, changes in our business and our industry;

- restricting us from making strategic acquisitions or exploiting business opportunities; and

- limiting our ability to borrow additional funds.

Currency exchange rate fluctuations may reduce operating results and shareholders' equity.

Fluctuations in currency exchange rates can cause translation, transaction and other losses that can unpredictably and adversely affect our consolidated operating results. Our reporting currency is the U.S. dollar. However, as a result of operating globally, a portion of our consolidated net sales, costs, assets and liabilities, are denominated in currencies other than the U.S. dollar. In our consolidated financial statements, we translate the local currency

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financial results of our foreign operations into U.S. dollars based on their respective exchange rates. Depending on the direction, changes in those rates will either increase or decrease operating results and balances as reported in U.S. dollars. Although we monitor our exposures and, from time to time, may use forward currency contracts to hedge certain forecasted currency transactions or foreign currency denominated assets and liabilities, this does not insulate us completely from foreign currency fluctuations and exposes us to counterparty risk of nonperformance.

There are also ongoing concerns about the stability of the euro and its continued viability as a single European currency. If individual countries were to revert, or threaten to revert, to their former local currencies, euro-denominated assets could be significantly devalued. In addition, a dislocation or dissolution of the euro could cause significant volatility and disruption in the global economy, which could adversely impact our business, including the demand for our products, the availability and cost of supplies and materials and our ability to obtain financing at reasonable costs.

We rely on our information technology and its failure or disruption could disrupt our operations, compromise customer, employee, vendor and other Company data, and adversely affect our results of operations.

We rely on the successful and uninterrupted functioning of our information technologies to securely manage operations and various business functions, and we rely on various technologies to process, store and report information about our business, and to interact with customers, vendors and employees around the world. As with all large systems, our information technology systems may be susceptible to damage, disruption or shutdown due to power outages, failures during the process of upgrading or replacing software, hardware failures, computer viruses, cyber attacks, catastrophic events, telecommunications failures, user errors, unauthorized access, and malicious or accidental destruction of information or functionality. We also maintain and have access to sensitive, confidential or personal data or information that is subject to privacy and security laws, regulations and customer controls. Despite our efforts to protect such sensitive, confidential or personal data or information, our facilities and systems and those of our customers and third-party service providers may be vulnerable to security breaches, misplaced or lost data, and programming and/or user errors that could lead to the compromising of sensitive, confidential or personal data or information.

Information system damages, disruptions, shutdowns or compromises could result in production downtimes and operational disruptions, transaction errors, loss of customers and business opportunities, legal liability, regulatory fines, penalties or intervention, reputational damage, reimbursement or compensatory payments, and other costs, any of which could have a material adverse affect on our business, financial position and results of operations. Although we attempt to mitigate these risks by employing a number of measures, our systems, networks, products, and services remain potentially vulnerable to advanced and persistent threats.

We have a significant amount of goodwill and other intangible assets and a write down would negatively impact operating results and shareholders' equity.

At December 31, 2013, the carrying value of our goodwill and intangible assets was over \$1.3 billion. We are required to evaluate our goodwill amounts annually, or more frequently when evidence of potential impairment exists. The impairment test requires us to analyze a number of factors that require judgment. Future changes in the cost of capital, expected cash flows, changes in our business strategy, and external market conditions, among other factors, could require us to record an impairment charge for goodwill, which could lead to decreased assets and reduced net income.

If a significant write down were required, the charge could have a material adverse effect on our operating results and shareholders' equity.

Our ability to attract, develop and retain talented executives, managers and employees is critical to our success.

Our ability to attract, develop and retain talented employees, including executives and other key managers, is important to our business. The experience and industry contacts of our management team and other key personnel significantly benefit us, and we need expertise like theirs to carry out our business strategies and plans. We also rely on the specialized knowledge and experience of certain key technical employees. The loss of these key officers and employees, or the failure to attract and develop talented new executives, managers and employees, could have a materially adverse effect on our business. Effective succession planning is also important to our long-term success, and failure to ensure effective transfer of knowledge and smooth transitions involving key officers and employees could hinder our strategic planning and execution.

Full realization of our deferred tax assets may be affected by a number of factors.

We have deferred tax assets, including U.S. and foreign operating loss carryforwards, capital loss carryforwards, employee and retiree benefit items, and other accruals not yet deductible for tax purposes. We have established valuation allowances to reduce those deferred tax assets to an amount that is more likely than not to be realized. Our ability to use these deferred tax assets depends in part upon our having future taxable income during the periods in which these temporary differences reverse or our ability to carry back any losses created by the deduction of these temporary differences. We expect to realize these assets over an extended period. However, if we were unable to generate sufficient future taxable income in the U.S. and certain foreign jurisdictions, or if there were a significant change in the time period within which the underlying temporary differences became taxable or deductible, we could be required to increase our valuation allowances against our deferred tax assets, which would increase our effective tax rate which could have a material adverse effect on our reported results of operations.

Our annual effective tax rate and the amount of taxes we pay can change materially as a result of changes in U.S. and foreign tax laws, changes in the mix of our U.S. and foreign earnings, adjustments to our estimates for the potential outcome of any uncertain tax issues, and audits by federal, state and foreign tax authorities.

As a large multinational corporation, we are subject to U.S. federal, state and local, and many foreign tax laws and regulations, all of which are extremely complex and subject to varying interpretations. Changes in these laws or regulations, or any change in the position of taxing authorities regarding their application, administration or interpretation, could have a material adverse effect on our business, consolidated financial condition or results of our operations.



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Due to widely varying tax rates in the taxing jurisdictions applicable to our business, a change in income generation to higher taxing jurisdictions or away from lower taxing jurisdictions may also have an adverse effect on our financial condition and results of operations.

We make estimates of the potential outcome of uncertain tax issues based on our assessment of relevant risks and facts and circumstances existing at the time, and we use these assessments to determine the adequacy of our provision for income taxes and other tax-related accounts. These estimates are highly judgmental. Although we believe we adequately provide for any reasonably foreseeable outcome related to these matters, future results may include favorable or unfavorable adjustments to estimated tax liabilities, which may cause our effective tax rate to fluctuate significantly.

In addition, our income tax returns are subject to regular examination by domestic and foreign tax authorities. These taxing authorities may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions. If any tax authorities were successfully to challenge the tax treatment or characterization of any of our transactions, it could have a material adverse effect on our business, consolidated financial condition or results of our operations.

The loss of a key customer, or a reduction in its production requirements could have a significant adverse impact on our sales and profitability.

Each of our segments has large customers, and the loss of any of these could have a significant adverse effect on the segment's sales and, depending on the magnitude of the loss, our results of operations and financial condition. Although a majority of our customer contracts are long-term, they are terminable under certain circumstances, such as our failure to meet quality, volume, or pricing requirements, and there is no assurance that existing customer relationships will be renewed at the same level of production, or at all, at the end of the contract term. Furthermore, although no one customer accounted for more than 10% of our net sales in 2013, 2012 or 2011, the loss of any of our major customers, a reduction in their purchasing levels or an adverse change in the terms of supply agreements with these customers could reduce our net sales and net income. Continued consolidation of our customers could exacerbate any such loss.