S&P Global
Market Intelligence

Sonoco Products Company

NYSE:SON

Earnings Call

Wednesday, April 30, 2025 1:30 PM GMT

Call Participants

EXECUTIVES

Jerry A. Cheatham
Interim CFO & VP of Global Finance for Industrial Paper Packaging

Robert Howard Coker
President, CEO & Director

Rodger D. Fuller
Chief Operating Officer

Roger P. Schrum
Interim Head of Investor Relations

Unknown Executive

ANALYSTS

Gabrial Shane Hajde
Wells Fargo Securities, LLC, Research Division

George Leon Staphos
BofA Securities, Research Division

Mark Adam Weintraub
Seaport Research Partners

Matthew Burke Roberts
Raymond James & Associates, Inc., Research Division

Michael Andrew Roxland
Truist Securities, Inc., Research Division

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Thank you for standing by, and welcome to the Sonoco First Quarter 2025 Earnings Conference Call. [Operator Instructions]

I'd now like to turn the call over to Roger Schrum, Interim Head of Investor Relations and Communications. You may begin.

Roger P. Schrum
Interim Head of Investor Relations

Thank you, Rob, and good morning, everyone. Yesterday evening, we issued a news release and posted an investor presentation that reviews Sonoco's 2025 first quarter financial results. Both are posted on our Investor Relations section of our website at sonoco.com. A replay of today's conference call will be available on our website, and we'll post a transcript later this week.

If you would turn to Slide 2, I would remind you that during today's call, we will discuss a number of forward-looking statements based on current expectations, estimates and projections. These statements are not guarantees of future performance and are subject to certain risks and uncertainties. Therefore, actual results may differ materially. Additionally, today's presentation includes the use of non-GAAP financial measures which management believes provides useful information to investors about the company's financial condition and results of operations. Further information about the company's use of non-GAAP financial measures, including definitions as well as reconciliations to GAAP measures is also available on the Investor Relations section of our website.

Finally, references to certain financial metrics along with corresponding year-over-year comparable results made on this call are on a full company basis, except when specifically referred to for continuing operations or for discontinued operations. Joining me on this call today is Howard Coker, President and CEO; Rodger Fuller, Chief Operating Officer; and Jerry Cheatham, Interim Chief Financial Officer. For today's call, we will have prepared remarks, followed by Q&A. If you'll now turn to Slide 4 in our presentation.

I'll now turn the call over to Howard.

Robert Howard Coker
President, CEO & Director

Thank you, Rodger, and good morning, everyone.

Let me start. Our first quarter results demonstrated the strength of the new Sonoco as our global team achieved record top-line and adjusted EBITDA performance. Slide 5 shows net sales were 31% -- or grew 31% and adjusted EBITDA was up 38%, while adjusted earnings were up 23% despite higher-than-expected interest expenses, taxes and the negative impact from currency translation. I'll let Jerry go through the key drivers for the quarter, but overall, we are pleased with the improvement in both our Consumer Packaging and Industrial Packaging segments.

The 127% growth in adjusted EBITDA in the Consumer segment reflects a full quarter of the Eviosys acquisition, along with strong volume mix from our legacy metal and rigid paper can businesses and a positive price cost environment. Industrial segment generated a 6% improvement in adjusted EBITDA, stemming from a year-over-year improvement in price/cost and productivity. Volume was down low single digits in the quarter, flat results in South America was offset by results in the rest of our served markets.

As shown on Slide 6, we completed the sale of the Thermoformed and Flexibles business to TOPPAN Holdings on time and as expected. We received approximately $1.8 billion in cash for the business, which generated approximately $1.56 billion (sic) [$1.5 billion] in after-tax proceeds, which we use to

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

significantly reduce debt and strengthen our balance sheet. We do extend our best wishes for continued success to our approximately 4,500 former TFP teammates and our new TOPPAN team.

On April 1, we completed the first phase of the integration of Eviosys by rebranding the business, the Sonoco Metal Packaging EMEA. As shown on Slide 7, we're changing our digital imagery as well as physical signage, trucks. Overall, while early, it's been a real nice start to the integration. We're going to treat our global metal packaging businesses as a single enterprise to better capture the best ideas, innovations and synergies. Our integration efforts produced strong synergy savings across the global metal packaging enterprise in the first quarter, and we now believe we should be able to achieve approximately $40 million of savings in 2025 on our way towards our 2-year synergy target of $100 million.

Working together, our global can businesses are also identifying long-term savings and commercial opportunities that will benefit our customers for years to come. We're encouraged by the performance of our combined global metal packaging business, and we continue to find opportunities to work with our customers to provide even greater value to enhance innovation and a much stronger global supply chain. After 1 quarter together, our global metal packaging sales are tracking at our expectations and adjusted EBITDA margins was near 16%. Our U.S. metal packaging business had strong year-over-year results as the business achieved 10% organic volume mix improvement, a strong growth in aerosols and food cans coming from both existing customer demand and new customer wins.

Adjusted EBITDA for our EMEA metal packaging business was up approximately 23% in the first quarter and productivity savings and positive year-over-year price/cost environment. Can volumes in Europe reflected slower market conditions in the region, but we're encouraged by new customer wins, particularly in the pet food segment, where we will start seeing benefits in the second half and continuing into future years as we build out additional production capability. Finally, our global rigid paper can business had a solid first quarter as low single-digit mix growth in North America and South America was somewhat offset by slower European and Southeast Asia volumes.

With that brief introduction, I'm turning the call over to Jerry to review the numbers.

Jerry A. Cheatham
Interim CFO & VP of Global Finance for Industrial Paper Packaging

Thanks, Howard. I'm pleased to present the first quarter financial results. Starting on Page 9 of the presentation. Please note that all results on an adjusted basis and all growth metrics on a year-over-year basis, unless otherwise stated. GAAP to non-GAAP EPS reconciliation is in the appendix of this presentation as well as in the press release.

As Howard mentioned, on April 1, 2025, we finalized the sale of our Thermoformed and Flexible packaging business, marking a significant milestone in advancing our fewer, bigger businesses strategy. This divestiture strengthens our focus on core sustainable packaging platforms and positions us to reinvest in higher return opportunities that drive long-term earnings growth and margin expansion. Looking ahead, our leadership in 2 core markets will enable us to operate more efficiently to serve our customers with greater focus and agility.

Adjusted EPS was $1.38, earnings per share increased 23% year-over-year, mainly driven by continued strong productivity of $17 million and favorable price cost performance across our core businesses. These gains were partially offset by unfavorable volume mix, other nonrecurring items and currency translation. First quarter net sales increased 31% to $1.7 billion excluding discontinued operations of $321 million. This change was driven by favorable price and the impact of the full quarter of SMP EMEA's sales. Adjusted EBITDA of $338 million was up by an outstanding 38% and adjusted EBITDA margin improved 170 basis points to 16.6%. This was driven by positive price costs, sustained favorable productivity and the impact of acquisitions and partially offset by volume softness in the Industrial segment and the impact of currency translation.

Page 10 has our consumer segment results on a continuing operations base. Consumer sales were up 83% and due to the SMP EMEA acquisition and favorable volume mix. Global Rigid Paper Containers sales increased marginally compared to the prior year, while our domestic packaging business -- our domestic

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

metal packaging business achieved double-digit growth, reflecting solid demand and continued commercial execution. Consumer adjusted EBITDA from continuing operations through a remarkable 127% year-over-year due to the impact of acquisitions, favorable price cost dynamics, continued productivity gains and positive volume mix.

Page 11 has our Industrial segment results. Industrial sales decreased 6% to $558 million. Results were impacted by lower volumes, the planned exit of our industrial operations in China and unfavorable currency translation. These headwinds were partially offset by low single-digit improvements in selling prices driven by index-based price resets. Adjusted EBITDA margins expanded 200 basis points year-over-year in the first quarter primarily driven by favorable price cost dynamics and productivity gains. These benefits were partially offset by negative volume mix as well as the impact of unfavorable currency translation and other items. Adjusted EBITDA increased by $6 million to $101 million, representing a 6% increase.

Page 12 has our results for the All Other business. The All Other sales were $85 million and adjusted EBITDA was $14 million. These sales and adjusted EBITDA results were affected by the divestiture of Protective Solutions, combined with the ongoing softness in some key end markets. Turning to Page 13. We are reporting on our debt reduction progress. As of today, we have reduced our net leverage to just under 4x net debt to adjusted EBITDA. We used approximately $1.5 billion in after-tax proceeds from the TFP sale to fully repay our $1.5 billion term loan. Our primary focus is to delever the business through strong organic cash flow and by using divestiture proceeds to reduce debt. We've established a clear and actionable road map to achieve this over the next 18 to 24 months.

Our liquidity position remains strong with approximately $915 million in available capacity providing us with ample financial flexibility to support our operations, navigate market conditions and invest in strategic initiatives as needed. Slide 14 provides a summary of the full year guidance. We are reaffirming our full year guidance. We expect to deliver adjusted EPS within the range of $6 to $6.20. This outlook reflects continued strength in our legacy businesses, the accretive impact of SMP EMEA acquisition and the now completed divestiture of TFP, which is expected to be modestly dilutive.

We also anticipate some headwinds, including a higher effective tax rate and some softness on the industrial volume mix. This will be more than offset by the expected favorable price/cost outlook, actions to reduce fixed costs, strong volumes in the Consumer segment and the favorable impact of currency translations due to a weaker U.S. dollar. The previously announced price increases on our URB and converted products in North America were intended to defend our margins from continued inflation. The implementation is going well, and we anticipate seeing those -- those benefits in our second half results. We expect another strong year of cash generation, with operating cash flow projected between $800 million and $900 million and free cash flow of [$450 million] to $550 million.

And now I'll hand it over to Howard to walk us through our transformation journey.

Robert Howard Coker
President, CEO & Director

Right. Thanks, Jerry. One of the things we don't talk enough about our quarterly results is the unbelievable work and dedication of our team is putting in the transformation of the new Sonoco into a simpler, stronger and a more sustainable company. In the past quarter, our team successfully completed a complex [indiscernible] divestiture of the TFP business. In addition, our 6,500 new teammates of Sonoco Metal Packaging EMEA are quickly working to integrate the business and drive expected synergy.

As we show on Slide 15, since we began this journey 5 years ago, we have reduced the number of divisions in our portfolio from 18 down to 3 core consumer and industrial businesses while creating an enterprise that is positioned for future growth. As we show on Slide 16, Sonoco was recently recognized by Newsweek as one of the most trustworthy and respected companies in the United States. In addition, just last week on Earth Day, USA Today, named Sonoco one of America's Climate Leaders for 2025 in recognition of our efforts over the past several years to reduce carbon emissions from our operations. These honors belong to our employees who work every day to make life better for our customers, our communities and shareholders.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

We've been asked a lot recently about tariffs and how Sonoco may perform during periods of economic stress. Let me make a couple of observations. First, Sonoco's Consumer Packaging business tends to perform well during periods of economic stress as consumers typically shift the center of the store packaged food. While our Industrial Paper Packaging business has experienced some slowing during past recessions, I would point out that our Industrial business in 2025 is significantly stronger and the markets we serve have matured since the COVID recession of 2020. Now does that mean that Sonoco is immune to an economic downturn or tariffs? Certainly not. If you turn to Slide 17, you'll see we believe Sonoco's better positioned than ever to navigate the evolving geopolitical landscape.

First, our manufacturing network is designed to serve local markets, reducing our exposure to cross-border disruptions and tariff-related risks. Second, while we are actively working with our customers to help manage the impact of higher input costs driven by tariffs, our business model allows for pricing adjustments when necessary. Most importantly, our transformed portfolio is significantly more resilient, with over 2/3 of our sales now coming from consumer food packaging, a segment that has historically demonstrated strong performance across economic cycles.

Turning to Slide 18. Sonoco's goal has increased long-term profitability and return capital to shareholders. Over the past few years, Sonoco has generated a record $1.7 billion in operating cash flow and approximately $1 billion in free cash flow. We've used much of this cash to invest in ourselves for future growth to drive productivity savings. While we are currently focusing on using free cash to lower leverage, our dividend remains an important part of our value creation story. Since 1925, which was roughly 100 consecutive years, Sonoco has paid a quarterly dividend that's why the investment service share dividend has named Sonoco its #4 top dividend champion for 2025. It's also while our Board of Directors recently increased our quarterly dividend for the 42nd consecutive year and it provides a strong yield of [4.6%].

In closing, I thought it'd be worthwhile to review my priorities for the rest of the year, which are shown on Slide 19. First and foremost is the mind of the store to continue to drive improved performance of our core consumer and industrial business. Embedded in that priority is to manage risk associated with the changing macroeconomic conditions. Next, we'll continue to manage the Metal Packaging EMEA integration and look to further optimize our global manufacturing network and organization. We'll continue to prepare for the planned divestitures of our attractive and noncore temperature-assured business. And finally, we must better communicate our value creation story to help improve our very much underappreciated stock.

Slide 20 was developed to better illustrate the new Sonoco, our businesses, our served markets and our geographic footprint. As Jerry mentioned, we reaffirmed our full year 2025 guidance as we expect to grow net sales by approximately 20% to nearly $8 billion. We expect adjusted earnings to grow approximately 20% and adjusted EBITDA by approximately 30%. Despite seasonal working capital changes in the first quarter, Sonoco remains a strong cash flow generator, and we expect operating cash flow this year to be between $800 million and $900 million. Even with economic uncertainty, we remain confident in our ability to deliver continued growth, margin expansion and strong cash flow generation, enabling us to drive even greater long-term value to our shareholders.
And with that, operator, we're ready to take questions.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of George Staphos from Bank of America.

George Leon Staphos
BofA Securities, Research Division

I guess first question I would have, if you could just give us a bit more color on the volume performance by region, by key segment or product line. I know you touched on a lot of it, Howard, during your remarks. But if you could just give us sort of a quick review, North America versus Europe versus rest of world, if you care to talk to that in a rigid paper, metal and industrial on an organic, if you have that, that would be great. And then a couple of other questions.

Robert Howard Coker
President, CEO & Director

Sure, George. Well, let me start with the consumer side. Felt really positive in total, but the drill end of that, and we're talking mid-single digits over the consumer on a global basis. But when you drill into that, what we're seeing is Rigid Paper North America was actually slightly up. And South America is the same. South America was actually really strong. You go over to Europe, and we were down.

And similarly, which is for the first time in a long time, we saw that our Southeast Asia rigid paper volumes were down. Europe and Southeast Asia and to some extent in North America, one discrete customer, very large customers going through a transition at this point in time, and we've seen some pullback. We don't see that as being nothing more than a timing issue and particularly in Europe and South America and benefit -- not South America, Southeast Asia and benefit as things clear up there. On the Industrial side, really a lot of red, but low single digits. Like North America, what suggests, again, low single digits. The real issue to call out there would be Europe, Europe was softer than we expected. But if you take South America, which is basically flat, slightly down in U.S., we're pretty much holding our own on the industrial side as well. So that's kind of the big picture.

And you said, asked about metals. So metal -- but in North America, as I said, we said 10%, but let me unpack that a bit. Our aerosol business was up roughly 25% quarter-over-quarter. Our food can business was probably 10-plus percent. And -- but what's embedded in there is our intercompany sales related to components. So loose ends, et cetera, again, we have one discrete customer that has pulled back on their volumes that we expect to see return in the relatively near future.

So if you really talk about can bodies, you're up probably in that 15% type range in total between aerosol and food. In Europe, while we are very pleased with how things have started and improvement year-over-year in terms of profitability of the business, a little slower than our expectations, and I'd say, right on mid-single digits down to our expectations. And we see that -- we see that as a bit of a timing issue as it's typically a softer first quarter and as you're well aware, a ramp up the second and third.

George Leon Staphos
BofA Securities, Research Division

Okay, Howard. And just you're pleased with Europe, it's down single digits in metal so far, correct?

Robert Howard Coker
President, CEO & Director

Say that again?

George Leon Staphos
BofA Securities, Research Division

Europe, you're pleased, but it's down mid-single digits in metal, correct?

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Robert Howard Coker
President, CEO & Director

Yes. Yes, on volume. Yes. Profitability was up. EBITDA was up about 25% year-over-year.

George Leon Staphos
BofA Securities, Research Division

Thanks for that rundown, Howard. Two quick ones, and I'll turn it over. One, are you seeing any changes in purchasing behavior? Any changes in the supply chain? Anything to call out on customer promotional activity given tariffs given the macro? I know it's sort of a big question. You don't have to go through everything, but if there's anything in particular we as analysts should know about relative to how we're modeling you going forward. That's kind of what's behind that question. And then you talk about messaging and trying to -- this is my wording, not yours get the story out to a larger degree on Sonoco. It's not a hear or there, but what do you think needs to be better understood by the market relative to the discount you see in the stock versus where you think it should be?

Robert Howard Coker
President, CEO & Director

Sure. What we're saying change is supply chain customers, et cetera, really not a lot. I think when we'll start feeling it is when we start seeing. What I would suspect would be increased pull-through from our consumer customers, which historically our consumer businesses have performed very well. But not a lot. What I would suggest is that unique to Sonoco is that we do have our largest paper can customer in the midst of an acquisition. And so to your point about marketing, et cetera, we've seen decreases there as they anticipate the turnover of that business.

So a little stagnation in the last quarter or so with that customer, and we have very, very strong opinions about where the new owner can take this business. So we'll see how that manifests itself post close midyear. The message is really more about as we're ending this whole transition. As you guys know, as you know, the numbers -- it's tough to follow what's all going on and to be able to start reaching a point of -- I wouldn't never say finished state, but certainly on the trajectory we've been literally the last 5 years. Start being able to connect the significantly improved performance company has seen over the last couple of years and the inverse relationship to our stock and start telling the story on where we are, where we're landing, where we're going. And I think even starting today, it should be a little more clear, a lot more clear than would have been in earlier periods.

So that is just it. Just getting the message out about who we are, where we're going, what the opportunities look like and it's pretty exciting go-forward story for the company.

George Leon Staphos
BofA Securities, Research Division

Good luck in the quarter.

Operator

Your next question comes from the line of Michael Roxland from Truist Securities.

Michael Andrew Roxland
Truist Securities, Inc., Research Division

Congrats on all the progress. Can you help us -- you mentioned managing your global network. Can you give us a sense of where there are opportunities and some of the things that you're considering doing around your global network?

Rodger D. Fuller
Chief Operating Officer

Yes, Michael, this is Rodger. I think that's specifically talking about our metal and -- our metal can business, our metal in supply, and Howard's already mentioned that how that's integrated into our paper

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

can business. With significant added operations in Europe with a lot of the strategic tinplate supply being provided out of Europe, we're looking across the platform, our European platform, our Asia and U.S. and deciding where is the best location primarily to produce easy open ends, not-easy open ends, components for all of our businesses, all of our consumer business, now our can businesses, and making those decisions over the next couple of years, strategically, where can we provide the lowest cost solution to our operations and to our customers and working through that as we speak. So that's really, in my opinion, outside of the tremendous synergy opportunity, which we can talk about later, that we have just combining our 2 metal businesses.

So again, as looking at this global platform we have now, and making those longer-term decisions on where is the low-cost opportunities, how do we use that to gain market share, to grow our business, which is the ultimate objective of looking at that global platform.

Yes, Michael, let me add one other. And if you look at our global Rigid Paper Container business, this is how we operate. We operate under one single umbrella globally. And the benefit -- and we started that probably 10, 12, 15 years and be able to take the best of the best of each market in terms of technology, R&D, innovation, and how that centralized, where there's not cross-border challenges or competition, but being able to create the best of the global in terms of those categories. It's worked well for us on the paper can side, and you'll see us over time that same type of structure. And again, taking the best of one region and the best of the other region and creating something that no one else has been able to do.

George Leon Staphos
BofA Securities, Research Division

Just on Eviosys, just transitioning, I think I heard you say that EBITDA was up 23% year-over-year in 1Q. I think you reiterated the guide for EBITDA to be up 10%. Is that just conservatism? Or is that some concerns over your tariffs and economic uncertainty? Like why reiterate the more modest guide relative to what a strong 1Q performance?

Robert Howard Coker
President, CEO & Director

I just think it's conservative and comps. So no doubt about it, last year was a weaker quarter, a stronger quarter this year being conservative as we go forward.

Michael Andrew Roxland
Truist Securities, Inc., Research Division

Nothing operationally stands out though? It's just work -- is it just a...

Unknown Executive

No, just [flow]. Yes.

Michael Andrew Roxland
Truist Securities, Inc., Research Division

Got you. And then last question before turning it over. Just in terms of the integration. Last quarter, you mentioned having a very strong leadership team there. What has the company done to ensure that the team has retained and there's no turnover in the near term that could cause disruption and negatively impact results?

Rodger D. Fuller
Chief Operating Officer

Yes, Michael, it's Rodger. Let me just talk a little bit about the integration and maybe this gets out in front of a couple of questions, but I know it's on people's mind. But you're right. We're pleased with the integration very impressed with the capabilities and talents of the new team and seeing nice progress on the integration across the board. I think, number one, is spending time with the leadership team and the critical people in the business across the board from our customers, from the market standpoint and our

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

people are very pleased to see a strategic buyer coming in, stepping in and taking a leadership position in the [boot] can market in Europe. So in general, the team is very pleased to be part of Sonoco and they understand the vision, they understand what we're trying to do with the global business and they want to -- they want to deliver the results that we're looking at.

So typically, as you go through these, I think you know there are retention type discussions that we have around timing, around packages, around the business. That's all going extremely well. The leadership team has tremendous experience in the metal can market. They want to continue with the business. So it's really just that constant communication and really the culture of Sonoco is making people feel involved with the business, making people feel part of something bigger. And again, I can tell you across the board, we feel comfortable that the critical people that we need in the business will continue to stay with us.

Let me go ahead and talk about synergies because I know it will come up from a cost synergy standpoint. Howard has already mentioned, we're upping a run rate this year to the $40 million level by the end of the year, becoming more and more confident that we can at least hit that $100 million level by the end of 2026, which has been our commitment. Direct synergies, materials, direct materials, we're looking at it from a global template business standpoint, indirect logistics, business S&A, we're looking at it from a European footprint standpoint. Keep in mind that over 40% of Sonoco is now based in Europe, and we're looking at synergies across our paper can business, our industrial business and our metal business in Europe.

And then finally, Eviosys, as you know, as a stand-alone business. So from a corporate S&A standpoint, good synergies there as well with the team that we have here primarily in Hartsville. But we're most excited about the market and the customer synergies. As I said, a tremendous response from our local customers with a strategic stepping into a leadership position, global customers that we may serve in both regions or one of the other regions are very interested in our global capabilities now. That gets back to your earlier questions on the global capability and the platform that we're looking at, self-manufacture opportunities, Howard talked about innovation.

So all in all, we feel very good about it. We're very good about the team. From a turnover standpoint, at this point, we're not concerned. The team is very involved, very engaged, and we feel good about the connection that they have with our leadership team here in Sonoco in general. So all in all, going well. And we're depending on that leadership team to continue to help us work our way and lead the business and deliver on the commitments we made from a synergy standpoint.

Operator

Your next question comes from the line of Mark Weintraub from Seaport Research Partners.

Mark Adam Weintraub
Seaport Research Partners

So I appreciate that you've upped the target on synergies by $10 million. At the same time, you've talked about the volume environment being weaker. I think you had originally come into your thinking like a 2% to 3% type of growth in Consumer Packaging was viable. Correct me if I'm wrong there. But what would your updated view be? And then presumably, that delta would be more than a $10 million negative delta. So I'm curious what are some of the other explicit drivers you think are going to help offset that in keeping the guidance where it had been?

Robert Howard Coker
President, CEO & Director

Yes, Mark, we're -- when you say consumer, we're actually all looking at an increase in terms of volumes as we head into the upcoming quarters. So really, you just kind of look at the first quarter, particularly in this business, which does have seasonality. So as we're looking out, we're seeing a much stronger second quarter, third quarter rates really across both the paper can as well as the global metal can businesses. So we're not really factoring saying, hey, there's that was 7% down in the first quarter. That translates for the year. That will work -- our expectations are that will work itself out through the course of the year.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Mark Adam Weintraub
Seaport Research Partners

Sir, just to clarify. So you're still kind of embedding 2% to 3% volume increase for the year, which I think is what you had been talking about 3 months ago?

Unknown Executive

Yes. That's correct.

Mark Adam Weintraub
Seaport Research Partners

Okay. Fair enough. And then second, any update on ThermoSafe and where your thought process there might be?

Robert Howard Coker
President, CEO & Director

Yes. Well, first of all, very pleased with the continued solid performance from the team. Really not a formal update other than say that we're preparing ourselves, and we will make a decision on when to go on, frankly, what it's going to turn out to be, what is the macro situation like it at that time. But officially right now, I'd say we're still looking at by the end of the year coming to a resolution on that. But again, happy with the trajectory of the business, and we'll see how that unfolds through the course of the year.

Operator

[Operator Instructions] Your next question comes from the line of Matt Roberts from Raymond James.

Matthew Burke Roberts
Raymond James & Associates, Inc., Research Division

Quick question. On leverage, post the TFP paydown on April 3, what -- where is your net adjusted debt stand? You said it was less than 4x. But what would that have been at the end of 1Q and recognizing there is some seasonality with a larger metal business, where do you expect that leverage to be by year-end '25?

Jerry A. Cheatham
Interim CFO & VP of Global Finance for Industrial Paper Packaging

Yes. This is Jerry. As we stated, we expect it to be by the end of this year on the 4x. And we're still on track to reach our target of 3 to 3.3x by the end of 2026.

Matthew Burke Roberts
Raymond James & Associates, Inc., Research Division

Got it. And secondly, on the price/cost expectations, could you say where your OCC cost expectation now is versus where you had it in January? And what kind of market conditions inform that? And we're hearing some constructive commentary around the URB list price increase, although it's not yet reflected in the index. Does the guide assume any incremental benefit there? And if so, how much? Usually, it's not reflected on unless pass-through, but just curious your thoughts or any color you have there.

Jerry A. Cheatham
Interim CFO & VP of Global Finance for Industrial Paper Packaging

Yes. What we assumed in our original guide was an average OCC of around -- of $100. Obviously, it was around $80 -- $85 in the first quarter, and we expect it to be that similar in the second. And we're expecting it to average somewhere between $90 and $95 in the second half of the year.

Matthew Burke Roberts
Raymond James & Associates, Inc., Research Division

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

And on the URB price?

Robert Howard Coker
President, CEO & Director

Yes. On the URB price, it has been -- you're right. Pretty unique against all paper grades. We're running in probably 92% to 93% utilization rates right now. We're seeing strong yield on against the $70 increase in the market. So it would be extremely disappointed if the appropriate indices did not pick that up at their next go around.

Operator

Your next question comes from the line of Gabe Hajde from Wells Fargo.

Gabrial Shane Hajde
Wells Fargo Securities, LLC, Research Division

I had a question, maybe a point of clarification. Did you talk about consumer volumes in aggregate on an organic basis, question number one. And question number two, Howard, you threw out a bunch of numbers for the metal food business. And so maybe if we could break it down, North America versus Europe and organic. You talked about some pretty big numbers, I think double-digit growth in the North American metal business. It's quite a bit better than what we saw for the industry data, maybe suggesting you guys are winning some business there. Can you talk about that? And would it be your view that customers are trying to buy ahead of any potential price increases in material costs. And again, I apologize if that -- if you covered that.

Robert Howard Coker
President, CEO & Director

Yes. No problem, Gabe. We're looking at consumer from an organic perspective, about 4% up for the first quarter in total. That's excluding acquisition. On the metal side of the business, in terms of breaking down further North America that kind of detail, less so in Europe. But North America, we saw about 10% improvement in food and about 25%. And keep in mind, about 1/3 of our business is aerosol. Aerosol recovered nicely, up about 25%.

And then what I also noted was that we -- when you look at units, and we've got some work to do in terms of how we report the stuff, but we've got metal and that go to a select customer legacy Sonoco customer that there's some drawdowns that we expect that will recover. That's what brought the total. The math doesn't work at 10% of your food cans, 25% of your aerosol, but you're 10% up in total, it's because of low-value metal ends are calculated in that number. We'll work on that going forward.

Europe really is one discrete market. a seasonal market that hasn't hit the 6%, 7% is the fish market and normally does have really start taking off until now or through up until early June or so. So we're expecting to see that time here in the very near future. Other than that, most of the other markets were exactly where we expected them to be, unless Rodger, you got the commentary to it.

Rodger D. Fuller
Chief Operating Officer

No, that's right.

Robert Howard Coker
President, CEO & Director

So in terms of prebuy no, not seeing any activity there. Say, I think it could be an isolated case, but no, as we talk to our customers going in as we're rolling into the second quarter, is very encouraging in terms of what the volume profile looks like, particularly here in North America, but it's not pulled forward.

Gabrial Shane Hajde
Wells Fargo Securities, LLC, Research Division

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Okay. So to be clear, I guess, adjusting for the end sales, which seems like it should balance out over the course of the year, you would expect pretty darn strong volumes in aerosol and food cans also to be up for the full year in North America?

Robert Howard Coker
President, CEO & Director

Correct.

Gabrial Shane Hajde
Wells Fargo Securities, LLC, Research Division

Okay. And then a point of clarification. I think, Jerry, you mentioned embedded in the guidance you talked about getting early realization on the URB price increase, but you would expect that to flow through in the back half of the year. A, is that in fact what you said? And b, quantification of what that benefit would look like in the second half?

Jerry A. Cheatham
Interim CFO & VP of Global Finance for Industrial Paper Packaging

Yes. Let me answer that kind of in a 2-part way. The increase is going well in the marketplace, but you got to realize that about 80% of the business is really tied to contracts and some of those contracts reset based off the timing of when the [indiscernible] move, which is what the majority of those contracted customers are on. So that's why we expect the benefit to mostly occur in the second half of the year, just depending on the timing of the [TAM] index move. It has not reflected the open market increase as we speak today. But we do expect that to happen in the coming month or 2.

In terms of the impact, as we've previously stated, tough to say how much the [indiscernible] index will move. But what I would say is that with each $10 move in that index typically represents about an incremental $6 billion a year on an annualized basis of revenue.

Operator

And that concludes our question-and-answer session. I will now turn the call back over to Roger Schrum for closing remarks.

Roger P. Schrum
Interim Head of Investor Relations

Certainly appreciate everybody participating in today's call. I know you've had a very busy day. If you've got follow-up questions, please don't hesitate to give me a call at your convenience. You can disconnect now.

Operator
This concludes today's conference call. Thank you for your participation. You may now disconnect.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2025 S&P Global Market Intelligence.