S&P Global
Market Intelligence

Sonoco Products Company

NYSE:SON

Analyst/Investor Day

Tuesday, February 17, 2026 1:00 PM GMT

Call Participants

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Presentation

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Let me make sure we're there. Again, good morning, everyone, and thanks for joining us at today's Sonoco's 2026 Investor Day. I'm Roger Schrum. I'm Head of Investor Relations for the company. And it's been my honor to work for Sonoco for 20 years, although I did have a couple of years off for good behavior.

This morning, Howard Coker, our President and CEO; and Paul Joachimczyk, our Chief Financial Officer, will start with a brief review of our fourth quarter and full year results. Sonoco issued a news release and posted a presentation on our website at sonoco.com yesterday evening, which provided detailed information on our financial results. We also will post today's presentation on our website after we conclude prepared remarks.

Once we finish with our review of 2025 results, Howard will come back on the stage and do our strategic review and follow that with our presentations from our 3 business unit presidents on our Industrial and Consumer businesses. We're then going to take a short break, and Paul will come back up and provide further financial review and present our targets for 2026 through 2028.

Howard will close our formal presentation, and then we'll take your questions. For those of you that are listening virtually, we do have an option for sending us questions as well. After we conclude Q&A, we'll be hosting a short modeling session across the hall over here in Hubbard Room 1 to answer any your detailed questions you may have. With that in mind, we hope that you'll limit your financial modeling questions during the Q&A, we'll take care of them over there. But before we get started, let me remind you that during today's presentation, 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. The company undertakes no obligation to revise any forward-looking statements. 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 operation. Further information about the company's use of non-GAAP financial measures, including definitions and reconciliations to GAAP measures is available in the Investor Relations section of our website.

Now with that, let me turn it over to Howard.

Robert Howard Coker
President, CEO & Director

Okay. Well, good morning, and thank you, Roger. It's really great to see so many of you, who I've come to know over so many years, and I'll certainly look forward to getting to know those that I don't know through the course of this conversation and others.

Before Paul and I review fourth quarter and full year 2025 financial results and present our '26 guidance, let me open with a few comments about what you will hear today. First, our portfolio transformation is complete. In fact, what differentiates us from so many in our industry today is that the most difficult part of our transformation journey is behind us, and we're poised to create greater value for our customers and shareholders going forward. Second, there was a purpose behind our portfolio changes, and we have built global market-leading franchises in both metal and paper, consumer and industrial packaging. And while our portfolio is set, we have plans to further improve profitability and cash flow generation.

Finally, we believe we are in the best position to deliver consistent earnings growth going forward. Our Sonoco team executed well in the fourth quarter, despite a difficult macroeconomic environment, delivering strong operating results. We reduced net debt by approximately 40% year-over-year and lowering the company's net leverage ratio to approximately 3x. And we concluded our portfolio transformation following the successful divestiture of ThermoSafe and further simplified our Consumer Packaging segment by consolidating our global Metal Packaging and Rigid Paper Containers business into a single integrated structure driven geographically, which we believe enhances our go-to-market strategy and will drive additional synergies across global channels.

I'll let Paul go through the numbers in detail, but we improved revenue, operating profit, adjusted EBITDA, and adjusted EPS above consensus, and our own expectations. We achieved this improvement despite the divestiture of ThermoSafe earlier in the quarter. Providing some context for the quarter, October was a strong month for all of our businesses, while November was a bit weaker than we had expected. December is always a difficult month to predict due to our customers' inventory management practices and consumer demand at year-end, but overall, the month was better than we had planned.

Productivity, favorable price/cost environment and structural cost savings drove the quarter improvement, meaning we were effective in controlling the controllables. Demand was about what we expected with volume mix overall down just under 2%. Metal Packaging U.S. had a record quarter and a record year. U.S. food can units were up 10% in the quarter and 9% for the full year, exceeding reported industry averages.

Results from Metal Packaging EMEA exceeded our expectation, although food can units were down about 3% as some of our customers manage inventories below what they had done historically. Rigid Paper Containers were down in North America on soft construction, stack chip and other food categories while unit volumes in Europe were flat. Industrial had another solid quarter on top of a record year and margins expanded for the ninth consecutive quarter. As mentioned, we completed the sale of ThermoSafe, our temperature-assured packaging business in early November and received $656 million in cash, which equates to a valuation of approximately 13x.

We used net proceeds and free cash flow in the fourth quarter to reduce debt by $966 million. Year-over-year, we reduced net debt by approximately $2.7 billion, if you include the proceeds from our TFP divestiture and free cash flow. This debt reduction effort lowered our net leverage ratio from 6.4x starting the year to approximately 3x at year-end. As you recall, we had targeted to reduce our leverage to 3.3x to 3x by the end of 2026. So we are tracking ahead of our expectations. Net-net, it was a good end to the year, an excellent setup for 2026.

Now I'm going to turn the podium over to Paul to go over the numbers in more detail and review our 2026 guidance. Paul?

Paul Joachimczyk
Chief Financial Officer

Thank you, Howard, and thanks, everybody, for being here today. I'll walk through our fourth quarter and full year 2025 financial performance. All of the results are presented on an adjusted basis, with growth on a year-over-year basis, unless otherwise noted. The GAAP to non-GAAP EPS reconciliation is included in the appendix and in our press release.

As Howard noted, 2025 was a pivotal year for Sonoco. With our portfolio transformation complete, we now have global market-leading positions across 2 focused segments, positioning the company for more consistent execution and sustainable long-term performance.

Turning to the fourth quarter. Results reflected strong execution across the businesses despite a mixed demand and environment. From a revenue perspective, fourth quarter net sales for continued operations increased 30% to $1.8 billion, driven by the Metal Packaging EMEA acquisition, strong pricing and favorable FX. This was partially offset by volume and mix, which declined approximately 2%. Adjusted EBITDA increased 10% to $272 million with margin expansion of 51 basis points, reflecting strong operational discipline, despite softer volumes.

Adjusted EPS was $1.05, up 5% year-over-year, driven primarily by favorable price/cost, largely in our Consumer segment. Continued productivity gains were evenly split between Consumer and Industrial. FX tailwinds and lower SG&A also contributed to that. These benefits were partially offset by softer volume and mix, slightly higher interest expense and lost net earnings from our divestitures.

Operating cash flow was $413 million for the quarter, while that includes a onetime tax payment from divestitures, it also demonstrates the strong seasonal cash generation of our Metal Can businesses.

Turning to the full year results. Full year net sales for continued operations increased 42% to $7.5 billion, driven by the Metal Packaging EMEA acquisition, favorable FX pricing, which was partially offset by volume and mix. Adjusted EBITDA of $1.3 billion, increased 28% with margin expanding 120 basis points to 16.9%. This improvement was driven by the Metal Packaging EMEA acquisition, strong price/cost execution, continued productivity, lower fixed costs and favorable FX partially offset by volume softness, primarily in our converting and Consumer business. We also had lost earnings from our divested businesses within the year.

Adjusted EPS was $5.71, representing a 17% increase year-over-year. This improvement was driven by Metal Packaging EMEA acquisition, favorable price/cost, productivity gains and FX, partially offset by divested businesses, unfavorable volume, a higher tax rate and interest expense. Operating cash flow was $690 million, including $216 million of onetime items, primarily $196 million in taxes paid on capital gains from our divestiture.

On a normalized basis, full year operating cash flow was $906 million, underscoring the strong cash generating capability of the portfolio. Looking ahead to 2026, we expect continued earnings growth, supported by improving volume and mix, disciplined pricing, strong productivity and lower interest expense. We are projecting sales of $7.25 billion to $7.75 billion, adjusted EBITDA of $1.25 billion to $1.35 billion and adjusted EPS of $5.80 to $6.20.

Operating cash flows of $700 million to $800 million. This includes approximately $100 million of taxes related to our capital gains from the businesses divested in 2025. Before reviewing the 2025 to 2026 bridges, let me clarify our definition of pro forma. It reflects our 2025 reported results adjusted to exclude divested businesses and represents the comparable asset base for growth in 2026. Relative to the 2025 pro forma sales of $7.3 billion, we expect low to mid-single-digit sales growth driven by favorable volume mix, pricing and FX. We are also projecting EPS growth of approximately 20% versus our 2025 pro forma EPS of $4.97, driven by our operational improvements, favorable volume mix, lower year-over-year interest expense and FX. This growth will be partially offset by 150 to 200 basis points increase in our effective tax rate.

In summary, 2025 was a year of disciplined execution and strategic processes. We entered 2026 with a stronger portfolio, improved margins and enhanced cash flow generation, positioning Sonoco well for durable earnings growth. This concludes our recap of 2025, and our outlook for 2026. At this time, we invite you to watch a short video transitioning into our Investor Day, where we will focus on 2026 and beyond.

[Presentation]

Robert Howard Coker
President, CEO & Director

Again, thank you for joining us today. I really, really am looking forward to the next portion of our presentation, which, as you just saw, is all about our focus towards the future. Sonoco has transformed over the last several years to create a more focused, simplified business. This focus allows us to move faster, allocate capital, with greater discipline and hold ourselves accountable for returns.

After reviewing our strong finish to 2025, and our outlook for '26. We now want to take a step back to talk about our transformed portfolio, our focused strategy, and the experienced leadership team that we have in place, which you'll hear from today. Importantly, what is different today is not just where we are but how decisively we will run the business going forward. Focusing management's attention, capital and resources on fewer, but scaled businesses, where we have a strong competitive advantage. I've been at Sonoco for over 4 decades and have experienced a wide range of economic cycles, changing competitive dynamics and shifting consumer trends, but I've never been more excited about the opportunities we have for the next phase of our growth.

What gives me confidence today is not simple optimism, but clarity, clarity around our portfolio, our strategy, and our ability to execute through cycles. Our scaled well-capitalized asset base underpins our belief that Sonoco is the investment of choice in packaging. We are a global leader in high-value paper and metal cans as well as uncoated recycled paperboard and associated converted products. Significant prior investments in our operations, systems and people position us to drive improved profitability.

Our streamlined portfolio supported by our proven operating model enables accelerated margin expansion and consistent earnings growth. We focus on essential center-of-the-store food categories and partner with large growing brands and private label customers. Through strong relationships, product quality and service excellence, core to Sonoco's culture, we continue to gain share. With more than 125 years of value creation, strong cash flow generation and disciplined capital allocation, we are investing for growth, strengthening our balance sheet and returning capital to shareholders, including 100 consecutive years of sector-leading dividends.

Today, Sonoco has grown to become a $7.8 billion global packaging leader with 22,000 team members working in 265 facilities across 37 countries, serving some of the best-known brands around the world. Guided by our purpose of better packaging, better life. We strive to foster a culture of innovation, collaboration and excellence to provide solutions that better serve our customers. Over the past several years, we have balanced our geographic sales mix, growing in the EMEA region, which now accounts for approximately 40% of sales, while still maintaining more than half of our revenue right here in the United States. We believe there are significant economies of scale in our global platform, particularly in Consumer Packaging, that are a significant competitive advantage to serving large global customers with complex needs.

In 2020, only 42% of our sales came from Consumer Packaging, while 44% was Industrial, and the remainder of sales came from a variety of diversified businesses. Since then, we've purposefully shifted our mix to more consumer-focused packaging where today, more than 2/3 of sales are generated by our leadership positions in paper and metal. The remaining 1/3 of our sales come from our leading position in uncoated recycled paperboard and converted products.

Furthermore, in our URB business, approximately 70% of our paper and converted product sales are, in fact, in consumer staple and durable end markets. Both our Consumer and Industrial businesses are strategically aligned around technology, innovation, of course, customers, service and sustainability.

During our transformation, we followed a set of principles that helped us determine what markets we would participate in, and how we expect to win. We focused on value-added packaging where we can drive a competitive advantage through advanced material science and technology expertise, where our products possess high functionality and where we can best leverage continuous process manufacturing to drive efficiency and scale.

Our operating model leverages our quality and partnership approach to help our customers respond to a dynamic marketplace, where customer preferences and buying habits, along with regulations are indeed constantly changing. Today, we have developed a focused portfolio serving a mix of large growing global customers, who value the competitive advantages that we provide.

I've been asked many times why we went through this transformation. The objective was straightforward, to improve the quality, predictability and durability of our earnings and cash flow over the long term. Early in our transformation, we increased investment in technology and innovation in our core operations to drive growth and efficiency. We then reshaped our portfolio by exiting noncore businesses, and we recycled that capital to acquire and create scale in our market-leading segments. By the end of our journey, we reduced the number of our highly diversified businesses from 20 to 2 core segments. And we simplified our operating systems and concentrated our resources where we could best drive profitable growth.

Today, our foundation is set, and the transformation of our portfolio is complete. Since we began this journey in 2020, we have grown revenue by 50%. We've increased adjusted EBITDA by 67% and expanded EBITDA margin by approximately 200 basis points. Adjusted earnings grew 50% during this period, and we generated over $3 billion of operating cash flow, and returned $1.2 billion to shareholders through dividends and share repurchases. We believe there is much more we can accomplish by focusing on our strategic priorities, sustainable growth, margin improvement and efficient capital allocation.

During our upcoming presentations, each of the business unit presidents will detail specific actions that we'll be taking to drive these strategic priorities, but let me provide an overview of each of these initiatives. First is sustainable growth. We have a targeted strategy to take advantage of long-term trends and believe we can grow organic sales by focusing on customer partnerships to gain share, not by chasing volume, but by improving mix, strengthening customer service and relationships and achieving fair value-based pricing. We have a track record of improving profitability and margins by deploying our operating model.

Our model is centered around structural transformation, operational improvement, including commercial, supply chain and operational excellence, strategic capital allocation and maintaining excellence and sustainability. This model allows Sonoco to add $533 million in adjusted EBITDA since 2020 at a greater than 20% margin.

Also, we've been able to reduce net debt by approximately 40% in the past year while achieving our sustainability goals. We're excited about the early results we're experiencing in employing this model across a more streamlined and simplified organization. We have an opportunity to further improve our business through structural transformation. As an example, we recently announced we are simplifying our Consumer segment, by consolidating our Global Metal and Rigid Paper Container businesses into a single integrated structure divided geographically.

This action, which you'll hear much more from our business unit presidents will enhance our consumer go-to-market strategy, focus our technology and service model to respond to changes in the marketplace and drive additional cost savings across our global footprint. We are targeting an additional $150 million to $200 million of cost savings, which translates into roughly 200 basis points of adjusted EBITDA margin improvement by the end of 2028. And importantly, this improvement is driven by actions within our control, not portfolio exit or large acquisitions. Paul will provide more color on the specific initiatives when he reviews our KPIs and financial targets later in the presentation, but this is the path the team -- our team is working on to control the controllables and deliver on our long-term financial goals.

Sonoco has consistently generated strong operating cash flow, and we're expecting that trend will continue. Efficiently allocating capital remains a key element of our operating model. Our top three priorities going forward will be to invest in high-return growth and margin expansion projects, maintain a strong balance sheet by focusing on further debt reduction and continuing to return capital to shareholders. Our focus on sustainability excellence remains an important initiative for many of our customers and shareholders. Earlier this month, we announced that a virtual power -- purchase power agreement developed between Sonoco and NG North America, consisting of 60 wind turbines in Crockett County, Texas has become operational. This project is another step in Sonoco's integrated sustainability efforts to reduce our global carbon emissions by 25% before 2030 by improving packaging design, installing energy-efficient equipment and renewable energy sources, such as power -- solar power installations.

Let me close by focusing on high-level strategic targets for '26 through '28 and Paul will build on these with a more detailed framework in his section. To achieve our strategic priorities of sustainable growth, margin expansion and efficient capital allocation, we have set specific targets, develop detailed plans and will measure our progress and will hold ourselves accountable. We expect our future organic growth for our Consumer and Industrial business to be around GDP in aggregate.

As mentioned earlier, we're targeting 200 basis points of margin improvement, which will result in between $150 million and $200 million in savings by the end of 2028. And finally, we expect to achieve accumulated 3-year operating cash flow of $2.5 billion, while reducing our long-term net leverage ratio of below 2.5x. I'm proud to say that Sonoco has one of the packaging industry's best and most experienced leadership teams to drive our focused mission going forward. Simplifying our structure also means we now have a simplified business and functional leadership team. I'd like to take a minute and provide you some background on our three business unit presidents. All three of which have long tenures with Sonoco as well as deep experiences in the businesses they run.

Let me start with James Harrell. James is President of our Industrial Paper Packaging segment, which successfully completed a record year in 2025. James has 41 years with the company, leading the Industrial segment since 2020, and is considered one of the leading experts in the global URB industry. Sean Cairns is President of Consumer Packaging, EMEA, APAC. He's been with Sonoco for 17 years and previously was President of our Global Rigid Paper Container Operations. Before coming to Sonoco, Sean was a Business Unit Leader for Crown's EMEA Can business, which, of course, we now own. Sean is an engineer by training, but he has strong commercial skills and led the team that significantly grew our Paper Can business internationally.

Ernest Haynes is President of Consumer Packaging Americas. Ernest has 28 years of experience with Sonoco and was previously President of Metal Packaging U.S., which is coming off a record year of performance. Prior to that role, Ernest was General Manager of our Rigid Paper Container Operations in North America. Also an engineer by training, Ernest started as a shift supervisor in our Rigid Paper Container business, later serving as Head of Operations for our North American Industrial Paper Packaging business before taking the leadership role in Consumer. Ernest also has strong commercial skills and led his team to more than double EBITDA for our U.S. Metal Packaging business since it was acquired in early 2022.

I'd also like to recognize our functional leadership team who has manufacturing and operational leadership and experience in addition to being an expert in their fields. Andrea White is our Chief Human Resource Officer and has 20 years with Sonoco.

Andrea is also an engineer by training and started out her career as a manufacturing excellence expert and has used her process improvement skills to simplify our global HR function. John Florence, our General Counsel, has more than a decade with the company, although he did outside legal work for Sonoco for nearly 10 years. John also recently was a General Manager of our U.S. and Canada Industrial Paper and Packaging operations, working very closely with James.

Finally, as you know, Paul Joachimczyk is our Chief Financial Officer. Paul joined the company in July with a proven track record of successfully leading financial functions for large multinational publicly traded companies in the building materials and manufacturing industry. Paul is comfortable in both finance and manufacturing and is taking on the task of helping drive our profitability performance plan, along with developing and tracking the company's key performance indicators.

Before I turn the podium over to James, I want to leave you with one final thought. Today, Sonoco is a simpler company, running fewer but market-leading businesses with clear priorities, consistent earnings growth, stronger cash flow generation and a management team focused on execution, not reinventing the strategy.

So with that, let me turn it over to James. James?

James A. Harrell
President of Global Industrial Paper Packaging

Thank you, Howard, and good morning, everyone. I'm incredibly proud to introduce you to our Industrial Packaging Group. As you heard from Howard, I've spent more than 40 years at Sonoco and the last 30 with the Industrial team. I absolutely love being the industrial guy. Very proud of this team and what they have accomplished. This is Sonoco's oldest business spanning our full 125-plus years. Generation after generation of team leaders and team members have found ways to keep reinventing this business, and this team is no different. I know I'm biased, but I wake up every day knowing I am competitively bringing the best talent to task to continue to create value for our customers and our shareholders. Our best is still ahead of us. There's a number of key themes I would like for you to consider as I take you through this business. We are the URB global leader focused on vertically integrated, low-cost system producing paper and converted paper products. We have a proven track record of EBITDA growth, cash generation and high returns on investment.

With our focus on customers and solutions through R&D and technology, we expect to achieve better than industry growth rates. As you have heard from Howard, we have been focused on simplifying our portfolio and structure, and this business has gone through those same filters. Five years ago, this business operated as 7 separate P&Ls and leadership teams. Today, it operates as one. From 2021 through 2024, we consolidated all the converting platforms, tubes and cores, post, partitions and cones together into paper converting.

Early last year, we brought together paper mills and paper converting groups as one team. This has removed the silos and focused our single leadership team on value creation along the full supply chain and significantly reduced our critical decision-making time lines. Complementing our paper business, we have a wood metal and poly fiber business, driven by the growing power demand in North America.

Today, we're a $2.4 billion business operating across 25 countries with around 9,000 focused team members. 73% of our sales are from North America and 16% from EMEA. Now we do call this the Industrial business, but as you can see from the graphic, over 65% of our products support customers and consumer-facing end markets. As mentioned, our paper business is vertically integrated from fiber collection through paper mills to paper converting producing over 2 million tons per year, which are split 52% internal and 48% external.

Our internal versus external sales balance is the result of positioning to deliver the highest value from the products that we make based on the end markets we choose to serve. We target trade URB markets that are less correlated with our converting markets and allow us to use product development and tech service capabilities to add value to both our customers and our business. In some end markets like tissue and towel, the majority of value-add in papermaking is in the papermaking and less in converting.

In other markets like tubes and cores and paper cans, we deliver critical value-add across both papermaking and converting. As a result, we have reoriented our business toward more sustainable consumer end markets. The mix of internal versus external tons is managed to reflect where we believe we can deliver the most value. It is not directed or dictated by the need to cover tons through internal consumption. More than half of the URB that we produce is utilized by our converted paper products business that produces tubes and cores, protective post, partitions, cones and paper for the Paper Can side of our Consumer business, which you will hear more about from Sean and Ernest.

Our converted paper business is focused on partnering with customers that have leadership positions in markets they serve, and where we have the right to win, with approximately 2/3 of our converted paper product sales in the consumer staple and durable end markets. The URB that we sell externally is focused on the following markets, tissue and towel, food packaging, floor paper and core board. These markets provide long-term stable growth and are aligned with our differentiated capabilities. We are biased to markets that are less cyclical and consumer-facing.

Based on estimates from RISI, URB markets are expected to grow annually at just over 1% through 2028. RISI is also projecting that mill operating rates, which averaged around 90% in 2025 should continue to improve to the mid-90s as URB production levels increase through the expected growth. The industry has adjusted capacity to better align with post-COVID demand levels. The Industrial team has driven solid EBITDA results through strong customer value focus, acquisitions like Skjern and RTS, footprint leverage and a robust internal productivity process.

Capital is driven by a disciplined allocation process, focused on keeping our system operating at high yields and delivering automation solutions in our converting operations. Our operation model is strong and it is resilient. The bottom line of this slide is, you can depend on us. to continue to deliver strong EBITDA and margin results. We expect the macroeconomic backdrop to continue to present both challenges and opportunities.

As you will see later in the presentation, we believe the preference for sustainable recycled packaging, power grid reinvestment. Power growth from data centers and AI will provide us continued opportunities to grow. Geopolitical uncertainties will continue to drive volatility and tariffs will put upward pressure on equipment-related expenditures. We are also seeing efforts to lightweight packaging, and this could adversely affect some markets.

Investments that allow us to drive greater efficiency and better service customers will continue to be a priority in how we allocate capital. Forward margin improvement will be driven by getting our European and APAC regions to higher return levels, along with opportunities to further simplify and streamline our processes. We continuously pursue new opportunities for growth through innovation, entering new markets that reward us for delivering the highest quality levels and service to our customers.

Our entry into the high-pressure laminates market is a great example of this. Recognizing an unmet need in the market, we develop URB replacement for saturated kraft that supports high-pressure laminate products in countertops, flooring, composite boards and decorative panels. We are in final testing and expect to have our product in the market early this year. We believe this market opportunity is in the range of 20,000 to 30,000 tons per year. This is another great example of how our chemists, our process engineers, our paper engineers can develop new value-added products in our URB converted paper space to meet new and evolving customer and consumer preferences.

An absolutely exciting area for us and the strongest organic growth engine we have in the Industrial Group is our Reels business, focused on the wire and cable markets in North America. We have seen a doubling of revenue over the last 5 years in this business, driven by North American power demand, greening of the grid, infrastructure rebuild and the AI data center boom. We continue to invest capital in this business and to expand capacity, to increase automation to ensure we stay ahead of demand. And yes, that reel is real. It is truly that big.

We have now moved the Industrial and Specialty Packaging business into our Industrial group as there are product overlaps and internal supply chains that allow our paper converting, reels and I&S business to leverage from each other. We will continue to build on these internal supply chain elements and cross-selling opportunities. I&S also has a strong foodservice product portfolio that we will continue to drive for growth.

In summary, I am truly excited about this team, the opportunity to continue to deliver on the business we have built. We are committed to continued top line and EBITDA growth through strong value-based relationships with our customers, 1% to 2% growth in our URB markets and between 5% to 8% in our reels business. We will remain focused on being the best operators in the URB space, driving internal productivity and managing our footprint versus market needs. We will also continue a strong focus on improving returns in both our European and APAC regions, along with continued investment in our reels business to drive growth.

In closing, you can count on us to be disciplined in how we allocate capital. As we focus on creating customer value with great products, maintaining a strong mill system and using automation and data to support optimization and decision-making.

I want to thank you for your time this morning, and I hope I've created for you that same excitement and confidence that I feel every day about this business. We have a great team, capable of adjusting to whatever challenges we face and will continue to deliver and win for both our customers and our shareholders. I am honored to represent this team and this business for you here today, and I do love being the industrial guy.

I'll now turn the podium over to Sean Cairns.

Sean Cairns
President of Consumer Packaging of EMEA & APAC

Good morning, everybody, and thank you, James. So I'm actually super excited to be here today to share with you my passion for this business. As over the past years, my team and I have helped reshape how Paper Packaging perceived globally by inventing, commercializing and scaling all-paper packaging solutions that resonate with both brand owners and consumers.

Late last year, Howard asked me to lead our newly combined Consumer Packaging business in EMEA and APAC. And after my early career as a Merchant Marine, I spent 13 years at Crown in the Ray Metals business that we acquired. Today, I'll walk you through how we're going to integrate these two businesses and continue to grow in this region. We're the only player in EMEA and APAC that produces both Paper and Metal packaging, the two most sustainable and circular packaging substrates.

Our customers require packaging solutions to meet increasing regulations and unique sustainability demands and, of course, their performance requirements. The streamlined organization improves flexibility, lowest cost to serve and strengthens customer partnership.

Our Consumer EMEA APAC business is around about $2.9 billion in revenue with about 8,000 employees across 65 facilities. That scale creates meaningful advantages from procurement leverage, operational agility, supply security, and, of course, capital efficiency. I'm proud to say we served many of Europe's most iconic brands across food, household and health and beauty with an innovative and versatile portfolio. In fact, I challenge any of you to look into any European household and not see many of our products.

Rigid Paper continues to grow strongly, now enhanced by our ability to deploy assets across both paper and metal networks, and our market leadership in innovation and service helps us position that growth in both metal and paper with new and existing customers.

Importantly, we can focus our combined resources to deliver the highest service and value to our customers. What is unique about this region is when I've got the opportunity to sit down with customers and brand owners, sustainability is at the forefront of that conversation. And the good news is we've got the right sustainable fit-for-purpose solutions to meet our consumers' needs. No one else delivers packaging solutions across the region in Metal and Paper and that makes us unique in this market. We actually have over 200 years of experience in can design, innovation, and our customers come to us to meet their design objectives, which actually significantly vary by country.

Trust is actually essential in this business, and our technical and service support teams enhance quality, improve consistency for our customers to reduce their waste and contamination risks. And as I said before, our manufacturing footprint and scale allows us to respond to variations in design, all while constantly delivering on productivity.

Our footprint allows us to optimize our -- across our network to drive better value to our customers. And finally, our dedicated R&D and regulatory teams are a clear differentiator in the business. Our footprint is a key strategic advantage. Our can network needs to be located close to our customers' filling operations. For example, if you think about vegetables, from the time to pick into packaging is incredibly important to lock in that very freshness that consumers demand.

However, of course, we centralize operations where it makes sense to exploit our share economies of scale. A great example of this is our new can bottom for Pringles. We will produce all the world's demand out of two locations, one in Europe and one in Asia. Importantly, we're not simply merging these 2 businesses. Since November, we've been undertaking a real deep dive structural review from the very top of this combined organization directly down to the shop floor to reduce the organization's layers while establishing best practices. I'm proud to say we've already implemented changes, and we expect further actions as we complete this review.

Finally, it would be a miss of me if I didn't mention APAC. APAC is a meaningful growth vector for us as new all-paper packaging solutions are being launched within this region. In fact, as we sit here today, in the coming weeks, we will launch yet another new innovative product within the APAC region. Our new factory, which we just recently opened in Thailand is actually directly connected to the Mars Pringles plant. And this facility is being built to serve this region and has the capability of being the world's largest paper can plant, and it's a perfect example of disciplined customer-backed expansion.

I'm proud that our portfolio spans metal and closures, rigid paper, aerosols and premium specialty packaging. Metal provides over 80% recycling rates, unmatched shelf life and exceptional food protection, making it essential for the food security, flexibility and quality.

Meanwhile, paper cans delivers high recycled content, full recyclability and strong consumer appeal, which is driving rapid brand adoption. While premium cans deliver high margin and emotional brand engagement for our customers, particularly in gifting and luxury. This balanced portfolio creates resilience, premium upside and powerful substrate conversion opportunities for Sonoco. So from pate to pet foods, stack chips to infant formula, household to health, this portfolio unlocks opportunity with some of the highest growth end markets. And we're incredibly proud to operate across more than 70 countries, with all those differences in languages, constant changes in regulation and customer's requirements, formats and supply chains.

Put simply, our job is to manage that complexity so effectively, our customers don't have to. Regulation across EMEA and APAC is ever-changing and accelerating conversions away from more difficult to recycle substrates, such as plastics and that unlocks up real opportunity for us. Sonoco has been at the forefront of this movement by developing mono-material packaging solutions, even before mono-material requirement. Europe's Extended Producer Responsibility program, or EPR, puts in place higher fees for manufacturers and brand owners to cover the cost of collecting, recycling and disposing of product packaging. These fees are designed to incentivize sustainable designs, shifting the burden of waste management from local governments to producers.

This means as our customers require solutions to either reduce their EPR exposure. Sonoco has the knowledge, the solutions in both paper and now metal to enable them to have a smooth transition. And I'm incredibly proud of it, because right now, we've got brand owners and retailers coming directly to us, asking for us to create solutions to reduce their environmental exposure. Here is a classic example with Ecopeel. It's a Sonoco innovation, and it shows how regulation and innovation translates into growth. It reduces CO_2 emissions by 20%, improves the consumer experience and simplifies production.

Apis adopted it for pate. And today, we're the only company globally that can produce this product. And we see broad adoption potential ahead of this for this. Across EMEA and APAC, private labels are growing, while pet food premiumization and plant-based protein dieting trends are accelerating. All of these trends are influenced by continuous emphasis on sustainability, a key differentiator related to the U.S. Private label brands and own brands are constantly looking for differentiation, and we're partnering directly with retailers and brands to meet these shifts, often before they become mainstream.

The result is diverse, resilient growth across the categories and geographies. Pringles is a flagship example. Together, we moved the can from over -- to over 90% recycled paper content without compromising shelf life, manufacturing speed or most importantly, consumer experience. This is the single largest change to one of the world's most iconic packs in the past 50 years, and in effect, we future-proof the brand. And now with Mars owning Pringles, we are their partner for the next phase of growth.

As I mentioned earlier, technology underpins our competitive advantage. Beer automation, artificial intelligence and analytics, they improve our quality, help us improve our safety and, of course, our productivity, while reducing our energy use and waste. As an engineer, I could tell you productivity is a never-ending process. It's simply a must do in order for us to remain competitive for our customers. And we will continue to protect and scale proprietary platforms like Ecopeel and all-paper can solutions such as GreenCan or Orbit closures, which you can see all at the bottom of this slide.

In fact, Orbit is a great example of how we've used innovation to meet unmet consumer needs. Who in the audience has not struggled to open a glass jar? Well, Orbit is the solution to that problem. Orbit is the only vacuum closure for glass jars that makes opening jars easy for anybody. How it works? The outer ring rotates separately from the center panel, and this is another great creative innovation from Sonoco. Cidacos started with 1 SKU and due to its success in the marketplace, they're currently rolling this out across the entire product range. And we see this as yet another growth vehicle as other brands realize its value. We're going to drive growth across the region by focusing on three levers.

As we've been discussing, driving Rigid Paper Can adoption, we expect to grow faster than any other substrate by capturing sustainability and substrate conversion trends. While combined commercial teams, we have the right people and the right resources to approach the market with solutions that are sustainable and agnostic across paper and metal.

And lastly, by creating a disciplined approach to our commercial processes, which will include standardization and improve our value-based pricing. And I'm really pleased to say our teams will stay deeply embedded with our customers as they constantly evolve. Capital investment will be prioritized by customer-backed programs, such as the Mars example that I mentioned earlier. We will invest with regulatory demand and commitments align across both metal and paper. Another little example of our consumer -- our customer-backed investments includes our all-new 60-millimeter all-paper can line in France. A brand-new product to serve a new market with an entirely new product. Similarly, our 2-piece aluminum pet food line in France was built to support the growing preferences for single-serve formats. And of course, every project is valued through strict return on invested capital criteria to ensure long-term value creation.

To summarize, we're driving growth through the region's obsession with having sustainable packaging solutions driven by changing consumer preferences and regulation. We're expanding margins through integration and operational excellence. Strategic sourcing and materials remains a key competitive advantage, with which we can leverage to deliver value for our customers. Continuing to drive footprint optimization, standard processes and procedures with automation will be accretive to our margin profile. And we're allocating capital with discipline where it's aligned with our customers or drives productivity enhancements. As I close out my section, in my 31 years in the packaging industry, I've never experienced so much demand for change. This is mainly driven by the region's unique sustainability demands. And I'm incredibly proud that Sonoco is ahead of the curve with our proprietary sustainable packaging solutions. As you can see, I'm extremely excited about the future of Consumer Packaging in EMEA and APAC and the value it will bring and deliver for Sonoco and its shareholders.

Thank you for your time this morning, and I'll now hand over to my friend, Ernest.

Unknown Executive

Thank you, Sean, and good morning, everyone. I'm Ernest Haynes and it's really good to be with you all in New York. As Howard mentioned, I've had the great fortune to spend over 28 years with Sonoco between both our Consumer and Industrial businesses, and I feel positioned well to now lead Consumer Packaging Americas.

No matter the economic climate, one principle remains constant. Consumers vote with their wallets every time they shop. That vote is shaped by where they are today and more specifically, how they think about grocery decisions, affordability and value and brands must meet them where they are. We have a really clear view of how consumers are shopping, how retailers are responding and how our customers are adjusting to win those choices. My team's role is to help our customers earn that shopper's choice by making our packaging a competitive advantage through quality, service, advanced technology and sustainability.

That's why we've rebuilt our Consumer Packaging business into a simpler, substrate-agnostic geographical platform designed to enable a more nimble organization that creates enhanced value for our customers. Over the next 15 minutes, I'll step you through how this new structure positions us to grow across the Americas and unlock meaningful opportunity for Sonoco's future.

Our integrated Metal and Paper Can business has immediately simplified our approach with customers while also better aligning every functional group to a common purpose, focused on value creation. This is critical as our customers now operate in an incredibly challenging macroeconomic environment, where consumer affordability governs spending decisions every day.

We are well positioned with our portfolio of both Metal and Paper Can options where innovation, supply continuity and best-in-class technical services are a cornerstone of Sonoco's DNA. The Americas region will generate over $2.1 billion in annual turnover in service of 800-plus customers. We're fortunate to have 3,200-plus employees that support our efforts. And I can promise you, they are entirely focused on earning the right to serve our customers every single day.

We serve some of the most recognizable consumer brands in the industry, including Bush Brothers, Mars, Red Gold and RPM, just to name a few. Consumer Americas is a leader in the markets we serve, which includes steel, aerosol and food cans, along with Rigid Paper Cans across the entire region. Over the past several years, we've made strategic investments to advance our offerings of sustainable packaging while also investing in ourselves with a particular focus on automation. Leaning into AI technology within the manufacturing network has become the next leg of our operations excellence tool to continue driving productivity and lower our cost footprint.

Our organization operates an efficient network of 34 manufacturing facilities across 5 countries, specializing in the production of steel cans and the associated components as well as Rigid Paper Cans and cartridges for the adhesives and sealants construction sector.

Each facility is equipped with advanced automation, affording us significant cost efficiencies. In addition, we implement lean technologies to promote operational excellence throughout our entire network. Today, we produce over 3 billion steel food and aerosol cans in both 2-piece and 3-piece formats. Whether you're in the center aisle of a grocery store or working on your DIY projects on a Saturday afternoon at home, our cans are likely very well represented.

Within our leading Paper Can portfolio, we provide solutions for addressable markets like baby formulas, snacks, chilled dough and nuts. For decades, we have partnered with global CPGs to innovate every single component of our cans to satisfy the sustainable packages consumers both want and need. In addition to our Metal and Paper Cans, we've also invested in expanding our footprint and capacities to provide cartridges that serve the adhesives and sealant space within the construction markets.

At Sonoco, sustainability is an integral component of our approach to both material selection and product development. Steel remains the most recyclable Consumer Packaging material globally. Approximately 85% of all steel ever produced is still in use, supporting a genuinely circular economy that ensures long-term material availability and contributes to decarbonization. Our Rigid Paper Cans feature approximately 85% post-consumer recycled content directly supporting brand objectives related to recycled content and performance on many important retail sustainability metrics.

From a market standpoint, these attributes are incredibly significant. Sonoco's Metal and Paper Can solutions enable customers to lead with confidence by mitigating risk, safeguarding shelf visibility and ensuring consistent supply. The macroeconomic environment significantly influences our industry, and our market dynamics. Whether we're mitigating the high impact cost of steel-related tariffs for our entire domestic customer base, or adapting to evolving extended producer responsibility regulations, our strategies are specifically designed to manage those challenges and enable our customers to capitalize on emerging opportunities.

Our global tinplate procurement capabilities guarantee continuity of supply, a critical factor for all of our clients, while our ongoing investments to innovate mono-material paper cans, demonstrates our commitment to reducing environmental impact. While additional challenges are likely to arise. We remain steadfast in our mission to lead the industry by delivering sustainable solutions. As we look toward 2026 and 2027, shoppers are not pulling back, but they are rebalancing, inflation, slower job growth and tighter markets are reshaping budgets, while about 5 million U.S. adults are now using GLP-1, specifically for weight loss, driving diverse shopping baskets and new eating behaviors.

But this is actually where Sonoco thrives. The majority of our Consumer Americas volume sits in the center-of-the-store, where consumers turn for value, substance and meals that stretch further. As budgets tighten and eating patterns change, we're uniquely positioned to help brands rethink pack sizes, formats and shelf execution. These moments of disruption actually create opportunity, and they play directly into Sonoco's strengths and helping our customers win the shelf and protect volume. Commercial excellence forms a fundamental component of our strategic initiative to drive earnings growth. The newly implemented organizational structure enables deeper analysis of customer requirements, and facilitates the optimization of internal processes.

Our sales teams are now equipped to represent our entire can portfolio, irrespective of substrate, ensuring that the customer remains central to all commercial initiatives. Additionally, we have recently launched a global CRM system within our business technology suite that enhances collaboration and operational efficiency across every work group. Our customers rely on our capacity for collaboration and innovation to sustain competitiveness in their respective markets.

While production costs remain a primary consideration for all can makers, our operating model is distinguished across the Americas by its commitment to superior quality and service. We foster long-term partnerships with our customers, enabling value creation and supporting their growth in market share. Few partnerships illustrate this better than ours with Bush, where we are co-located on their site. As the market has evolved, Bush is protecting volume through premium promotions, like its new Bluey Beans collaboration designed to bring younger consumers into the category.

Our co-located model has expanded our 2-piece food can capabilities and enables daily collaboration with their teams, helping move faster on shelf, drive demand and create value for both companies. Within our aerosol segment, we've recently introduced a digital case study featuring CRC, a globally recognized and trusted brand with Sonoco serving as a key contributor to their ongoing reliability.

Sonoco provides supply assurance and tailored aerosol solutions ensuring that CRC products remain available on shelves even amidst significant external challenges. This partnership demonstrates Sonoco's commitment to creating lasting value for our customers, through a combination of global scale, dependability and operational excellence.

Within South America, Brazil represents a high-value growth vector for the business. The country's dietary supplement market is expanding at nearly 10% annually, evolving rapidly from a sports nutrition focus to a broader everyday health and wellness category. Sonoco was positioned to capitalize immediately supported by established end-market capacity, strong customer and market intelligence and a purpose-built team capable of scaling powdered supplement formats without the need for incremental platform investment.

Investing in ourselves is something you've often heard Howard refer to, as a part of our greater strategy to drive long-term earnings and profitability. Our commitment to this philosophy is most evident in our Consumer Americas platform, where we have invested millions to enhance capacity, increased output across multiple lines raising OEE and installed advanced automation that continues to reduce our production cost.

Additionally, we've recently adopted AI technologies within our manufacturing networks, aiming to further expand capabilities across various back-office processes. Over the next 3 years, we're focused on driving growth by expanding our market share through strong customer partnerships. We aim to increase EBITDA through commercial excellence and the use of efficient capital allocation, focused on the highest returns. Combining metal and paper solutions makes it easier for our customers to work with us, speeds up execution and strengthens margins.

Our portfolio matches current consumer trends, supporting both private label growth and targeted premium products in what is expected to be a challenging 2026 marketplace. As the leading supplier in the Americas, we provide dependable supply through disciplined operations and smart capital investment. We're ready for market pressure, backed by a long-range plan designed to navigate tariffs and drive innovation-based growth. I have confidence in our new organizational structure, and our capacity to implement this growth strategy. But most importantly, I trust in the dedication of Sonoco's employees, who've been instrumental in shaping our company over the past 125-plus years. I feel certain their commitment will remain a driving force in our continued success.

Thank you. Now we'll take a short break. So please join us back in just a few minutes for our financial review, led by Mr. Joachimczyk. Thanks, everybody.

[Break]

Paul Joachimczyk
Chief Financial Officer

All right. As we gather back here. Thanks again, everybody, for taking your time for being here today. We do not take your time lightly at all. The fact that you're here reflects the long-term relationships we're focused on building as we continue to strengthen Sonoco. Again, I'm Paul Joachimczyk, Chief Financial Officer. I joined Sonoco after 3 decades across global manufacturing, building products and Consumer businesses, all environments where capital discipline, execution and cash flow matter.

Today, I'll walk you through our financial strategy, and our 3-year outlook. It's grounded in discipline, shaped by transformation and designed to deliver durable long-term value. I'll focus on three things. First, how our recent financial performance reflects the transformation you've heard about today. Second, how we think about growth, margins and capital allocation going forward. And third, how our financial discipline underpins everything we do as we execute our strategy, what we call focus. As you heard from James, the Industrial business is a clear example of what happens when strategy and execution truly align.

Five years ago, this was a collection of assets in markets that didn't always move together. Today, it's a focused, integrated business with a clear operating model. Since 2020, Industrial has added $190 million of EBITDA with margins expanding by more than 600 basis points. These aren't incremental gains. There are structural step changes driven by discipline, customer focus, operational rigor and smart asset investments.

This is what repeatable value creation looks like at Sonoco. On the consumer side, the story is leadership, focus, and opportunity. Sean and Ernest bring deep experience and long-standing partnership to this business, which has brought clarity and speed to our decision-making. Financial progress is already visible. EBITDA is expanding. And while margin expansion remains the largest opportunity, the leadership structure and operating rigor are now firmly in place.

Over the next 3 years, that progress increasingly shows up in the numbers. Across the enterprise, the last 5 years, fundamentally reshaped Sonoco. We simplified the portfolio, aligned our resources, built scale and eliminated complexity and the financial results reflect that work. Top line growth of 50%, EBITDA growth of 67%, margin expansion of 200 basis points. In total, we added more than $530 million of EBITDA at margins above 20%. Those aren't onetime gains, the result of a company that is clear about where it competes and what drives value.

Underlying every part of this transformation is a simple truth. Sonoco generates cash consistently. Since 2020, we've generated $4.4 billion in cash flows through a period of macro uncertainty and significant portfolio change. That reflects strong market positions, disciplined execution and alignment across the businesses. This cash flow allows us to invest in the business, reduce leverage and return capital to shareholders, all at the same time.

Over the same period, we invested above our historical average to strengthen capabilities, drive our productivity and grow alongside our customers. The most visible example is Project Horizon. Completed in 2023, it wasn't simply a mill project. It reset the economics of our Industrial business.

Today, we operate the largest, most cost-competitive mill in our system with differentiated capabilities. With Horizon behind us, capital needs normalize. Going forward, investments will focus on what drives competitiveness, automation and AI, international growth and selective technology upgrades with capital spending steady at roughly 4% of sales. Balance sheet discipline has been a constant at Sonoco, including through the transformation. Following the Eviosys' acquisition, we reduced net debt by approximately 40%, and we remain on a clear path for continued deleveraging through 2026.

Long term, we view the leverage below 2.5x as the right target to balance flexibility and returns. Strong liquidity underpins every capital allocation decision we make. We maintain an investment-grade portfolio with a total cost of debt of approximately 3.6%, supported by disciplined treasury management. And with $1.6 billion of liquidity at the end of 2025, we're positioned to invest, even in uncertain environments. Being able to move when others can't is a real competitive advantage.

One thing that hasn't changed at Sonoco is our commitment to the dividend. We've increased the dividend for 42 consecutive years, placing us among the top 1% of dividend payers on the New York Stock Exchange, which makes us a dividend aristocrat. That consistency reflects the simple philosophy, long-term value creation requires long-term trust.

Our capital allocation approach is dynamic and return-driven. In 2025, debt reduction was the priority. And more than 80% of our cash flow and divestiture proceeds went towards deleveraging. Debt reduction remains important as we strengthen the balance sheet, but we're not anchored to a timing model. We're anchored to risk-adjusted returns. If the best return comes from buybacks or dividends, we'll shift. If it comes from a growth investment, we'll invest. The objective is always the same, maximize long-term shareholder value.

As we look ahead, margin expansion remains one of the most important value drivers in our financial outlook, and we are approaching it with the same discipline that has underpinned our performance over the past 5 years and the same discipline I intend to reinforce in how we plan, invest and measure the results going forward. We are targeting approximately 200 basis points of margin expansion by the end of 2028, which equates to $150 million to $200 million of incremental value. This is not dependent on a single initiative or step change in market conditions but rather the result of a coordinated enterprise-wide productivity system that is already embedded in how we operate.

Roughly $20 million to $30 million of this improvement is expected to come from structural simplification and cost alignment. As we continue to reduce complexity and align our cost base with the portfolio we operate today. Beyond that, the majority of the opportunity sits within operations, where we are targeting $130 million to $170 million through commercial excellence and operational improvements. These targets are embedded in our operating plan, reviewed regularly through our finance governance processes and tied directly to management accountability.

Importantly, these are not new concepts of Sonoco. Commercial excellence has been a long foundational element of our value proposition, and we see continued opportunity by partnering closely with customers, pricing for the value we deliver and maintaining service and quality standards that support margin integrity. On the operational side, continuous improvement remains core to our operating model with deeper focus across supply chain productivity, footprint optimization, and synergy capture as we bring our Consumer businesses together.

What is different this time is the integration and governance around these efforts. Rather than treating synergies, standard cost reductions and productivity initiatives as separate programs, we have consolidated them into a single coordinated framework with clear ownership, accountability and tracking. That structure gives us confidence not only achieving the targeted margin expansion, but also sustaining productivity momentum beyond the current planning horizon.

This is how we make margin improvement repeatable. When you put it all together, growth, margin expansion and disciplined capital allocation, the financial profile is compelling. We see a path to $1.5 billion in EBITDA and $2.5 billion in cumulative operating cash flow through the end of 2028. That profile gives us the flexibility, resilience and the ability to invest while continuing to reward our shareholders.

Everything you heard today ties back to focus, sustainable growth, margin expansion of 200 basis points, disciplined capital allocation, generating more than $2.5 billion in cumulative operating cash flows, but beyond the numbers, the story is simple. We are a more focused organization. We're deploying capital where it matters most, and we have more levers to create value than ever before. We are positioned not just to compete, but to win.

Thank you for your time and your partnership. Our focus is clearly in the future. Now let me turn the podium over to Howard for a few closing comments.

Robert Howard Coker
President, CEO & Director

All right. Well, on behalf of the entire Sonoco team, I want to thank you. Thank you for your time today, your presence and interest in our company. We believe we have the right strategy at the right time. Let me close by summarize what we laid out today. Our portfolio transformation is complete. And the most difficult part of our journey is behind us, and we believe we're poised to create greater value for our customers and our shareholders. There was purpose behind our portfolio changes, and we have built global market-leading franchises in both Metal and Paper Cans and industrial packaging, which we believe, provides us with a competitive advantage in the key markets that we serve.

While our portfolio is set, we have plans to further improve profitability and cash flow generation. Finally, 2025 was a good year, but we were setting the foundation for a stronger '26, and we believe we're in the best position to deliver consistent earnings growth going forward.

Now let me call on the management team, if you would join me. And we would love to entertain any questions that you possibly may have.

Question and Answer

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

[Operator Instructions]

But let me start with questions from the audience. And George, I see you have a microphone. So would you like to start?

George Leon Staphos
BofA Securities, Research Division

George Staphos of BofA. I appreciate all the details today. Two questions. One first on consumer for Ernest and Sean. Gentlemen, when I was looking at the slides, I was coming up with kind of a rough sort of $2 million average revenue per customer, give or take. And I recognize customers are all over the range in terms of size, obviously.

Part of the logic of putting metal and paper together is that you're serving the same customers, and there's going to be synergies from that. Can you talk right now about how many of your customers are buying, I don't know, $1 million each from both sides of the house and what the expectation is going forward? Are you -- how are you going to track that marriage that's going to lead to the revenue synergies there?

And then a question for Paul. Again, thank you for taking us to the bridge to 2028 and the $2.5 billion, recognizing you're confident in, otherwise, and $1.5 billion, excuse me, on EBITDA, you're confident in that, otherwise, you would not have provided it. How much have you pressure tested this, Paul? What are the biggest concerns you have? Recognize you're confident in terms of being able to achieve that over the next number of years.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Why don't we start with Ernest and Sean.

Ernest D. Haynes
President of Consumer Packaging of Americas

Sure. I think speaking for the Americas, there are a number of customers that -- from a legacy standpoint, George, that have bought paper cans and the associated metal components that go with the paper can. And so the addressable market is going to be a little bit different between the Americas and Europe. But we see quite a bit of turnover between the 2. If you think about baby formula. There are customers that buy both metal and paper in that baby formula space. If you think about some of the legacy, what I call coffee and/or snacking products, there are some of both.

I think what's more important is we have a much simpler commercial organization. It's just easier to do business with. So almost regardless of the substrate, we have one commercial asset that is leading those work groups. I think the level of customer intimacy is much greater in the go forward. So we will continue to kind of shape out our go-to-market strategies, but I do think you see some. Obviously, there's differences in processible foods, which is the lion's share of what we would put inside of a metal can and what I call baby formula snacks, chiller that would be in a paper can, but a lot of those procurement assets with the customers we serve are the same individuals. And so when we're selling a can, irrespective of substrate, we're generally talking to those same individuals and make sure we have all the options in front of them in a really simple way going forward.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Sean, anything to add?

Sean Cairns
President of Consumer Packaging of EMEA & APAC

Yes, to be honest, it's the same in Europe as well as the U.S. We do have customers who buy both products, but being truthful about it, the metal can is very good for processed food. The paper can is very good for dry products. So there is some clear boundaries between them. As we progress the paper can into being monomaterial, that's brought the growth. I think one of the things I would say is there's a lot behind the scenes that the same. So we're the largest buyer tinplate in the world, which is great, and that's what we both enjoy that side of the portfolio.

But it's down so we can give a solution that is right and fit-for-purpose. Whilst in the back office, computers are computers, indirect spend is indirect spend. So we can leverage all of that type of rationalization. And at the same time, as I explained earlier on, we've got an extensive program looking at structural review. We're about 20% through it right now in Europe. That's going to give us a huge amount of cost out initiatives. And we've got one face to the customer. We've been -- you do pass one another as you go into the customer base, that has to stop and that will stop.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Paul?

Paul Joachimczyk
Chief Financial Officer

Yes, George, I'll say, I'll start with profitability first. We broke that out targeting $150 million to $200 million that's out there. So right off the gate, those are things that we can control. We're looking at our structural realignment going in and, I'll call it, simplifying our business to match what we are today, which is 2 segments. So we're in Industrial, and we're a Consumer business as we go forward.

So right out of the gates, we'll go get $20 million to $30 million just out of structural savings alone. Now if we go into the next phase of that, we look at operations, which is really broken into the commercial side and then our operational footprint. The teams have done a great job of being really disciplined around our pricing mechanics, of how we provide value to our customers.

So there is a little bit of element going on there, but it's deeper than that, and it's really focusing on our footprint, leveraging that agnostic material that's there, looking at opportunities to combine a metal on a Paper Can into one location is going to be something that will be a game changer for us as well, too, because before, we didn't have the opportunities to actually think about that.

Now it is, let's treat it as one business. It's agnostic. And as we ship our cans out paper or metal, it doesn't matter. They're going to go to the same customer base that's out there. So that's really how we feel confident in the, I'll call it, the profitability side. Profitability is a key driver then to the cash flows of your second part of your question that was there. We do feel, if you look at next year, our guide is $700 million to $800 million, that does include $100 million of onetime payments related to taxes on the gain on sale of assets in 2025. That puts us back into the range of roughly around $900 million plus of a normal operating cash flow basis. So we do feel confident that after 2026, we will get back to north of that $900 million on a consistent basis that's out there.

Robert Howard Coker
President, CEO & Director

Let me add one final comment. You may have covered it. But you heard about it over and over, the portfolio is complete. Now we still have a tremendous opportunity as it relates to how we support that portfolio and what I mean by that is that we've got back office, be it HR, finance, IT, that are -- we're working on it today, but it's part of that road map over the next couple of years, how do we rightsize the back office to support this much simplified.

We're no longer supporting 20 disparate business. With each one, the squeaky wheel, you know where I'm going with that, pulling. Now it's going to be focused, and that's going to drive a lot of things to include productivity, better service to our customers and cost outs. And that is part of what you're saying, do we have, I think, do we have a checklist of what are we going to do over the next 2 to 3 years to get the type of savings that we're...

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Okay. Next question? Gabe?

Gabrial Shane Hajde
Wells Fargo Securities, LLC, Research Division

Gabe Hajde, Wells Fargo. I had a question about change in behavior across your customer base and thinking about -- I mean, there's been a reasonable change in tone from their perspective to address some of the things you guys all talked about today, affordability and GLP-1, et cetera, population trends, and really attacking the cost side of the equation, right, as they try to promote and/or lower absolute cost levels for consumers on the shelf.

Maybe more of a near-term question, if you've been engaged in some of those conversations or have heard from your teams and how that sort of informs your 2026 outlook. And then as you've seen, of course, this evolve over the past, let's say, 10 years, pre-pandemic comparing to where we are today. Does that typically make it more challenging for your business to drive cost out or to drive margin expansion when your customers are being a little bit more aggressive on the cost front.

Sean Cairns
President of Consumer Packaging of EMEA & APAC

I'll start. So look, it's a different market from pre-COVID to now. So -- and all the customer base is seeing it. There's price pressure, of course. So and population growth et cetera, and Ernest has pointed out, in terms of the job, et cetera, that's having its challenging in terms of the base business. However, there's opportunity. I mean, so speaking for Europe, that sustainability drive is huge. Now are the customers going to pay more for sustainability? No. It's a very price-sensitive market. However, it's a place for innovation. I think that's the biggest opportunity we've got is continuing to be ahead of the competition.

R&D is essential to us. But for me, everybody in this business, everything we do, there's an opportunity to innovate. Whether or not that's the back office or the products or whatever, that's where we'll win. If we're going to just compete to be the same as everybody else, then it just becomes a price discussion. And that's not what we're here for. So for me, I'm super excited with the products we've got. They're very cost effective. We've got -- in Europe now, I mean, I can tell you, the retailers, we've been invited into the retailers to go around the shelves, look at all the private label products that they've got and come up with more cost effective, more innovative solutions. And that in itself is incredibly powerful. I've never seen that in 31 years in the business.

So yes, is it a price-sensitive market? Yes, the right -- but that's a place we operate. We're not victims. Our destiny is in our hands.

Ernest D. Haynes
President of Consumer Packaging of Americas

Yes. Gabe, for me, I'm really encouraged by some of the early signals we're seeing from CPGs. One, a real recognition that affordability is a challenge, right? And so some of the pricing pressure that consumers have had to bear over the past couple of years has put pressure on volumes. And I think we see CPGs really recognizing that and leaning more into promotions. And we've seen kind of end of 2025, early '26 much more promotional velocity.

So that gives me confidence in some of the underpinnings of the volume. We've seen some resets or reset recommendations relative to the retailers of pricing of some of our products. So all of that encourages me the kind of late stage as we get into 2026. There's more optimism around a recognition that affordability is an issue, price on shelf has to be challenged. We recognize tariffs that are a big part of that input cost.

But I think our brands are beginning to realize the trade-off between margin and volume, and we're encouraged by some of that recognition.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

James?

James A. Harrell
President of Global Industrial Paper Packaging

Yes. And I think when you look at our business, it's no different from what you've heard. It's always been competitive. This paper world has been competitive. I know for the 30 years that I've been in it. But we are making changes internally, working on our footprint, working on our processes. You've heard about how we have restructured the business to bring a more focused group in and what Paul has talked about of how the cost to support us, and we'll continue to work on service and quality. So I think putting all that together, yes, we will have to be competitive. We will have to understand customers, but we drive strong value. And when we need to adjust our cost, we're very good at doing that. So I think we're positioned well for whatever battles may be ahead of us.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

A question over here, and we'll do this one first.

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

Matt Robers with Raymond James. Howard and team. Thank you all very much for the event and all the great content and the presentation. If I may ask about the sustainable growth profile, particularly the Consumer Packaging, EMEA, APAC, now Sean you've led a lot of the growth on the RPC side. Now you've round tripped your experience in metal and you're certainly tasked with 1 of the, I would think, higher growth areas. If I compare this to 2024, I think RPC was more of a high single-digit grower. Now is the low single-digit plus type growth in consumer EMEA, is that now mostly a function of just a larger metal shift? Or any other updates you could give us?

Is there any other impact from capacity expansions, particularly any updates from Thailand or your conversations with Mars now that the merger has closed there. So any confidence or what you're expecting on that side in 2026 and beyond even?

Sean Cairns
President of Consumer Packaging of EMEA & APAC

So it depends on the market. So if you look at Asia, you're talking of significant double-digit growth. For Europe, the sustainability drive is huge. The antiplastic movement has gathered so much momentum. For North America, the drive is not as much as we probably felt it was a few years ago. I just spent the weekend in New York buying food product and seeing how much plastic waste they had, compared to what I get in Europe is dramatic.

So you've got to look at in isolation -- you can't look at it in isolation. So Ernest showed you Brazil. We've seen exceptional growth in terms of Rigid Paper. Asia unbelievable growth. Europe, it's not slowing down. You're talking mid-single digit at least. For the Metals business, it's a different type of argument as well. For paper, we dominate the market. So for us, in the Rigid Paper market, the only way we can grow is to create new markets, and that's what we've been doing for the best part of 17 years.

For the metal can business, the market, we've got a number of competitors in there. The nice thing is you can compete to be different and take share like what Ernest has been doing in North America incredibly successfully. I think, one of the things I would say for the metals business, the substrate is infinitely recyclable. I think with the antiplastic movement, you can see trays, single-serve units. There's a lot of opportunity out there.

So there's a lot of products that we've got in Europe that we don't have in North America. And again, that's what we'll share going forward. So -- is it double digit? No, it's not going to be double digit, but it's going to be GDP. And in fairness, we've not put in the plan anything too aggressive. I think personally, I think we've got tremendous opportunity. I don't like being a victim. I think everything is in our hands. And I'm convinced with getting the business rightsized.

Look, I came from this metals business. I know it incredibly well. Being back in the hands as a strategic is really important to the customer base. Somebody is investing in not just in the next 3 months or the 12 months to sell it, but investing into the future. And I think that's what's going to give us the competitive advantage in the marketplace compared to everybody else. And I don't take the fact that we're in the market lightly. We're the custodian of brands. We deserve to be there, but we've got to show in our actions. And I'm pleased to say, I think in the next 12, 18 months, we will start seeing significant growth again.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

We had a question over here. Or you got a microphone. Okay. Go ahead.

Joshua S. Vesely
Robert W. Baird & Co. Incorporated, Research Division

Josh Vesely from Baird. Maybe one for James on the Industrial Packaging segment. Just from a high-level standpoint, just -- could you just walk us through just over time, how you thought about your strategic evolution of the Industrial Packaging segment as it relates to growth. More specifically, how you think about capital deployment? I know you talked about some innovation that you've -- that you guys are working through right now, some investments you're making. But just any high-level thoughts on how that's kind of developed over your time in the job, that would be great.

James A. Harrell
President of Global Industrial Paper Packaging

Yes. Thanks. It's a great question. And if I think back over the last 15, 20 years the industrial side has -- we've been able to grow through bringing innovative products or when our customers innovate themselves in the bigger faster examples of paper mills when they get wider, when they get faster, when packages get larger is when we have an opportunity to bring our tech and R&D to task to answer those questions.

We talked about the reels business. We think the reels business has entered a new growth phase with power generation and transmission, the rebuilding of that infrastructure, but also the growth that's coming forward from there. And then when you think back about the evolution of the industrial side of the company, as I talked about, we operated in silos. We were 7, 8 stand-alone leadership team, stand-alone P&Ls, even though we were an integrated supply chain, we all self-optimize, rather than optimizing from end-to-end. It took us 120 years to figure that out, but we finally figured it out. And now it's unbelievable, the power that we're seeing as we put, I mean, there's no reason why you have to have a post plant and a tube plant and a partitions plant separate. They're paper converting and then bringing the P&Ls and the thought process of the papermakers and the adhesives makers in with the paper converting groups is just unlocking a lot of opportunity for us internally and allowing us to put structures in from a supply chain standpoint to really optimize from start to finish and it's a low-growth area, but I think that puts us in the best opportunity to either innovate for the growth when it's there or have a right to win on pricing because of how we're operating.

So I'm as charged up at any point in my career of the opportunity that's still ahead of us, both to capture growth and are to capture internal opportunities for profitability.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Michael, why don't we bring a microphone up to you. And then in the meantime, I've got a question for Howard because he's feeling lonely up here.

Robert Howard Coker
President, CEO & Director

I'm absolutely in great comfort.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

But I had a question from online, a virtual question about we're into the first quarter, how are things looking so far?

Robert Howard Coker
President, CEO & Director

I would say we are better than we expected in January, but one month does not make a year, as you all know, little disappointed as it related to the amount of downtime we had to take. We are fairly dense in terms of operations in the Southeast. So through the Tennessee Valley, Carolinas, we lost significant days in January. But even still, I was pleased with what the team was able to deliver and the expectation is we'll catch that up as we get through the quarter.

Unknown Analyst

Great presentation today. Two questions. First, we heard a lot about commercial capability, commercial excellence and that you're looking to build out your commercial team. What capabilities have you added, or do you intend to add? Whether it be commercial go-to-market approach, plant structure, and what products are you targeting for that growth? And can you also talk about how you intend to penetrate end markets where your peers already have entrenched and strong market shares. So that's question one.

Question two is we've heard a lot also about you're trying to drive better returns in Europe. A couple of times it was mentioned during the presentation. To that extent, can you comment about opportunities to consolidate self-manufacturing in EMEA similar to what was done in the Americas a couple of decades ago, whether that's part of your strategy in terms of driving better returns in Europe.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

We start with Ernest.

Ernest D. Haynes
President of Consumer Packaging of Americas

Sure, Mike, a great question. Relative to the commercial teams, in large part, that structure has been codified. As we looked at what will be important in the go-forward, if you think about how we restructured before, we probably had legacy assets more focused on aerosol within the tinplate space or more focused on food within tinplate and then paper.

Today, we have one unified structure. So there is one commercial team, a group of leaders that sells everything in the portfolio. So no longer do we have any silos relative to food, aerosol metal paper, that's all agnostic under 1 umbrella within our commercial strategy. We think that simplifies our approach. We've got immediate feedback from our customer base, particularly in the Americas that have really warmed up to that structure, and so we're where we need to be from a structural standpoint.

Relative to different go-to-market strategies, my good buddy here, Sean, over the past couple of years, has really worked hard on innovating on the Paper Can and he's been at the tip of the spear. So there's certainly more opportunity for us on our Paper Can business relative to the Americas in terms of our GreenCan, all-paper can, Paper Bottom strategies. We're just beginning to unlock some of those opportunities where customers are looking for different options. So lots of opportunity there. And then certainly, what we've done on the metal pack side over the past couple of years still have a lot of growth lanes on the metal can side. So I'm bullish about our outlook. And certainly, that commercial team is at the front of that.

Sean Cairns
President of Consumer Packaging of EMEA & APAC

Yes. What I would say is, commercially, it's a very different marketplace than it was. So you look back in the day when I started in this industry 31 years ago. The sales guy would speak with the buyer, and it was very, very BOT0-type of approach. As you're developing new markets and new products, it involves a lot more of the organization. So we use CRM systems, et cetera, to keep the data there. But more importantly, everybody is trained on project management skills. So when you're doing a new product or launching a new product, whether it's a design, et cetera, you're involving a lot more people within the manufacturing scope, speaking directly with their counterparts. I think that's a significant change.

And I do think that's a competitive advantage that we have as well. So more or less, everybody is a salesman in some way. So that's what we're focused on, particularly with the acquisition in EMEA, changing that dynamics and getting it more aligned to what we've been doing in RPC for a number of years. So that's the challenge.

In terms of market where we will grow, again, it's innovation, in not just the product, but everything we do. So being different from everybody else gives us an opportunity and that's where -- I don't want to start go in and just compete on price. That's -- there's no benefit to that. For us, it's going in the best product fit-for-purpose, whether or not it's paper, metal, et cetera. And again, innovation. Is there a way of getting the consumer more brand awareness, more shelf space, et cetera, with new products. So that's where the driver is. But in summary, everybody who works in Sonoco is a salesperson in fact.

Robert Howard Coker
President, CEO & Director

How about self-manufacturer profiling.

Sean Cairns
President of Consumer Packaging of EMEA & APAC

Yes, self-manufacturing. I mean there's some very, very large players in self-manufacturing. Converting them, is there anything in the plan. We've got a couple of things in the pipeline, nothing solid yet for people to realize the real cost to self-manufacturing is difficult. A lot of people don't see the real or true cost of it, but right now, we haven't got anything. We haven't got a hockey stick in there of conversion, but we are working on them. We've got two in particular, we're working on quite aggressively, but I can't go into any more detail than that right now.

Robert Howard Coker
President, CEO & Director

I think innovation plays into that as well.

Sean Cairns
President of Consumer Packaging of EMEA & APAC

Yes. Of course, yes. Yes.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Next question? Why don't we come up here with Anojja And Anojja while you're doing that. I had a question coming from -- a virtual question that came in, saying this is for Paul. On the EBITDA bridge through 2028, how much volume growth is anticipated and what is the sensitivity to shortfalls or upsides and how much visibility do you have to -- on achieving possible business wins to supplement overall market growth?

Paul Joachimczyk
Chief Financial Officer

Yes. If we go back to the EBITDA bridge that we provided, that was out there, not a lot of growth was baked in. Low single digits that's out there. You've heard from both Sean, Ernest and James about the growth opportunities that are there, but we want to provide a plan that basically was within our control, something that we could deliver upon irregardless of the market conditions around growth. So if there is a macroeconomic change to the upside for us, that will all be incremental gains for us from that projective that's out there. So strong performance expected.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Anojja?

Anojja Aditi Shah
UBS Investment Bank, Research Division

Anojja Shah from UBS. My question was actually pretty similar to that, but I'll ask a follow-on, Paul. You mentioned that you're approaching operational improvement a little differently now from how you've done in the past. Can you talk about what you're doing? And also if there's any sort of quantification of upside that you expect from that?

Paul Joachimczyk
Chief Financial Officer

Yes. So I'd say the different side of it is really the approach. So we're installing new KPIs across the boards, working with the business unit presidents and the BU CFOs that are out there, creating that clear accountability pattern that's there. I'd say that's a little bit different than what we've done in the past is they were all there. The enhancements were there. We had tools like SPS and continuous improvement, but now it's exactly is, and I hate to say it is we've created a detailed P&L for each business unit president. We went line by line and said this is your targets for each one of those areas. And then on a quarterly basis, we're going to be, I'll call it painstakingly antagonistic on there every single quarter. How did you do? How did you track against it? And then if we're short, is there another business unit that could actually cover that. So I'd say it's the discipline around it and the consistency of how we're going to go execute that is going to be a little bit of a difference.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Okay. Gabe, you have a question? Follow-up, I should say.

Gabrial Shane Hajde
Wells Fargo Securities, LLC, Research Division

Two, hopefully, they're quick. Would you say -- maybe, Paul, you talked about taking a little bit more of, I guess, maybe a homogenous approach to the productivity? And can you give us kind of the -- I think it was $130 million to $170 million and $20 million to $30 million in cost breakout of the margin improvement. I think you also mentioned $20 million to $30 million of what I'll call, G&A improvement sort of back office, maybe shared service type operations. And if memory serves, maybe on the synergy -- legacy synergy realization associated with Eviosys, I think there was about $60 million remaining. And so if we combine those together, let's say, $85 million, there's $100 million of sort of what we knew bringing to the table, which may appear conservative and maybe you can disagree or agree with that.

And then on the cost side, I think you have roughly between SG&A and COGS, let's call it, $6.7 billion of spend. I figured 2% annual inflation, $130 million inflation treadmill. Thinking about kind of gross versus net, I know you presented at $1.5 billion, but just if there's other productivity that we should expect to offset that? And sorry, last one, anything to think about with what I think was low double-digit metal price increases coming into 2026, if there was any movement between customers pulling forward into Q4 and/or impacts on H1 profitability.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Paul, do you want to start on that?

Paul Joachimczyk
Chief Financial Officer

Okay, Gabe, that was one question.

James A. Harrell
President of Global Industrial Paper Packaging

He's giving you room for your money, George.

Paul Joachimczyk
Chief Financial Officer

Thank you, beat you, George, right now. So Gabe, if you really think about the stranded costs, this is why we have shifted away from that to try to get away from all of those buckets that are out there. But you're absolutely spot on is about $60 million was going to carry over into the future plan. So that you could take that right off the top. And so now your plan goes from $90 million to $140 million of additional incremental upside for us, but what we want to try to do is, as we look at the businesses, as we try to drive one business, one consumer it's no longer like, let's give Sean a target, let's give Ernest a target.

It's like, we have one target for consumers, and that's how we needed to approach the business as we did the realignment of those organizations that were there. So it may look like it's a, I'll call it, maybe in your eyes a little bit of a less lofty goal. I think it's a very aggressive goal still to go tack out another $90 million to $140 million of savings. To the second part of that question around productivity, those are all net those are going to drop to the bottom line. So we're going to go and offset all the inflation and everything else that is out there with our normal productivity gains. So everything that we're showing there is above and beyond just the normal productivity. So this will be truly incremental wins for us and our shareholders.

Ernest D. Haynes
President of Consumer Packaging of Americas

And Gabe, I think to the second part of your question, there was no material pull ahead into what I call Q4 2025 that would negatively impact '26, nothing appreciable there.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Next question. I do have one on George, why don't we grab microphone. I'll give you -- we do have a fan of the industrial guy who has asked a question, in Industrial on saturated kraft, does the exit of some producers in that area boost that market opportunity for you? And is it actually larger than you depicted?

James A. Harrell
President of Global Industrial Paper Packaging

Answer is yes, yes. So yes, that's what created the opportunity was closure of some mills that focused in that area and the industry needs alternatives, and we feel -- we're being conservative in our estimate on the opportunity, and it could be larger if we're very successful with our product.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Great. George.

George Leon Staphos
BofA Securities, Research Division

A couple of questions. Again, I appreciate the details. First, I want to come back to the growth question in Paper and Metal. How much capacity do you think you have right now to be able to grow before you'd have to reinvest significantly? What I heard was you're pretty much set, but I just wanted to test that and ask relatedly, what the incremental profit might be across both metal and paper and consumer. So that's part one of the question.

Part two again would be, it sounds like you see right now, even though it's the same purchasing manager on the customer side, you're really not doing a lot of cross-selling at the moment. And feel free to correct me if I misstated that. So the synergies are really on the back end. How are you -- Paul, what are you doing to make sure that, that transmission, that commercial effort, that tracking isn't messed up to the customer because you're now combining entities.

So capacity incremental margin back end. Last question, Howard, for you. When you announced Eviosys and grew metal, a lot -- even though Sonoco has been involved in Metal Packaging for years, a lot of people who took a step back and said sort of Sonoco metal what's that all about? How is the growth here similar and your view to what Sonoco did, whatever, 30-plus years ago when you did composite cans and everybody said, composite cans, what's that, tubes course paper, what's Sonoco doing that business? What's similar? What's different? And what do you think the -- I mean I'm -- we know you're posing because you made the acquisition, what do you think the sort of untapped market opportunity is there in metal that's similar to composites many years ago?

Ernest D. Haynes
President of Consumer Packaging of Americas

I'll take part one and Paul, I'll let you talk about profitability from pure capacity, and I'll just speak to the Americas, Sean can touch on Europe. We have available capacity on both our Paper Can and Metal Can side, George, to match what we anticipate our growth trajectory through 2028. So some of that obviously depends on customer specification, geography of where that capacity would be filled -- but in large part, we have the available capacity to meet our needs through 2028 without incremental capital of installing new lines or new assets. So we feel really good about that.

Certainly, we evaluate any outside opportunities and look at the return on investments that, that would take. But fundamentally, we have the available capacity, both in paper and in metal.

Sean Cairns
President of Consumer Packaging of EMEA & APAC

Yes. So if you -- what I could say for paper, we've invested quite substantially over the last few years, increasing capacity, particularly on stacked chips. We have a major customer who let's just say, slowed as they were being acquired. And that acquisition took longer than probably anybody expected. As they come out of that now, we've got an awful lot of capacity to fill. So we can grow substantially overnight with no investment. If you look at the Metals business, the Metals business, the vast -- it's a very seasonal business in Europe. It's food.

So there's a lot of capacity that's ramped up for the summer periods. So you've got weekend shifts, you've got night shifts, et cetera. So again, we've got a lot of latent capacity there, which won't require a lot of investment to realize. So I think that's quick growth when the market changes, particularly as people go and do more promo. I think post-COVID, that's one of the things I would say, there's not been as much promotional opportunity. The CPGs are seeing a real opportunity to do that, to grow volumes. And the nice thing is we've got the asset base sitting there now that can grow with it, but of course, on top of that, we are investing in future products.

Robert Howard Coker
President, CEO & Director

Yes. I'd say just to add on to that, the investments we've made, similar investments have been made by customer as well that have slowed down in the past year. The other part of your question, I think, to these guys was margin profile. They're relatively on top of each other in terms of the profitability metal versus paper. George, what I'd say is the parallels between where we were in the late '70s, '80s on the Paper Can side, pretty crowded marketplace. We've been in it since 1962. And lots of players.

What happened was we started seeing markets such as motor oil change to plastics, blow-molding was a new thing coming out. And a lot of the strategics that were involved said, this is the end, I need to get out. We leaned into it. So direct peril and I should say that during from that time to our acquisition 3, 4 years ago, we've constantly said, this is -- the metal side of the business is a natural fit for what we do. It meets those core elements that makes a successful business where Sonoco has made a successful business. But there wasn't a need for another provider.

So fast forward to 3, 4 years ago, we looked and said, guess what? There's a lot of strategics or several strategics that are moving out of the space. We think there is a tremendous opportunity for us to come in and put our playbook in place, just as we did in the 1980s when we consolidated on the Paper Can side.

And the truth of the matter is that, that thesis has played out even greater and better than what we anticipated, if you look at our North American business. It wasn't the -- Ernest will probably say, "Hey, we're the funnest for first year or so, but we put a playbook in." And so here we are Sean and Ernest working very closely from a global perspective. We're as excited as we were in 1986 when we acquired Boise Cascade out of the Paper Can business. So it's a recognition of a market that is a necessary important market. It's large and consolidated, concentrated. And it checks all the right boxes, which absolutely layers right on to what happened in the mid-1980s or so on the Paper Can side of the business.

Sean Cairns
President of Consumer Packaging of EMEA & APAC

Yes. I think 1 of the things I'd just add to that. since the major acquisition of Weidenhammer, we've grown the Rigid Paper space in Europe by 60% in 10 years. So it's easy to look at a market and say it's mature, but there's another -- for me, there's markets out there we've never been in before. And we're going into markets that we've never experienced before. So again, it's about innovation. It's about going into places that you just don't know. And I think that's been where we've got real opportunity.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Do you have an online question, then we'll take this one up here quick. But this is from Ghansham Panjabi with Baird, and he's asking industrial. He's asking what is -- what -- with productivity and strategic changes you have implemented over the years in industrial packaging, will the segment be more resilient from an EBITDA margin standpoint relative to historical baseline, especially due to price/cost variability?

James A. Harrell
President of Global Industrial Paper Packaging

Yes. We believe we've made fundamental changes in both the way we price the market and underlying manage our capacity, and I think won't take completely away the volatility, but we believe we've significantly changed that profile.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

I had a question up here.

Fiona Shang
Jefferies LLC, Research Division

This is Fiona Shang at Jefferies on for John Dunigan. I have 2 questions. One is based on your $150 million to $200 million of potential profitability initiatives. What would drive you to the top end or maybe above the target line? The second one is more focused on consumer parts. You guided for low single-digit growth. So maybe -- just curious what's the breakout between the business win versus what's been already locked in relative to the underlying market growth?

Paul Joachimczyk
Chief Financial Officer

Yes. I'll take the first part of that question and then turn it over to the rest of the panel. I'd say to get to the top end of that range really is going to be dependent on a few things as one, as we look at our overall portfolio of assets that are out there, in our footprint optimization. Some of those changes do take a little bit longer to enact and you actually cut into full fruition for us on savings.

Especially when you look at the European market, there is a little bit longer drawn out tail. We do have a road map and a plan already in place today. There may be an ability to accelerate that plan, which would allow us to get to the top end of that range. But right now, the plan is basically built off of a conservative approach, but if there is the optionality to go faster and drive more return for our shareholders, we will absolutely do that.

Ernest D. Haynes
President of Consumer Packaging of Americas

Yes. From a growth standpoint, I think Paul articulated this earlier, we expect to be around that GDP number. So we were not anticipating a bunch of macro help, particularly in 2026. The volume we've had today, we feel pretty confident in the go forward. And we'll certainly be chasing volume. This is the right fit for our portfolio long term, but there are no outsized expectations in the volume growth for '26.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Other questions? Wolfe?

Unknown Analyst

Wolfe [indiscernible] from EVR. when I flip to the slide deck, I see a lot of commentary around value-added pricing. And I'm curious, as we go from $1.3 billion of EBITDA to $1.5 billion, how much of that increase is driven by value-added -- value-based pricing, excuse me.

Paul Joachimczyk
Chief Financial Officer

Yes. So in that guidance, there is an element of that. It is not the largest element of those operational changes that are out there by any way, shape or form. And I believe George asked the question, we probably didn't answer. From a back office perspective, we are giving the tools right to these business unit presidents. Their market is changing at a fast pace. We have to align the back office support to do that as well, too.

So our teams, it doesn't matter on the finance side, customer service side, we have to align to one tool. So we're going through, I'll call it, the buzzwords of master data management. We're cleaning up those records, those elements. We're giving the standard financial processes and commercial disciplines to arm all the business unit presidents that's out there. So the discipline is really going to come from our own internal house and cleaning up those kind of like idiosyncrasies that were there to make sure we're consistently driving value for our customers as well.

Unknown Analyst

And with respect to the value-based pricing, each of you has said it's a very competitive market. So why I imagine the only reason you bother with value-based pricing is because you'd like a better price. So why should we expect to get that better price given the competitive nature of the markets?

Robert Howard Coker
President, CEO & Director

So service quality and the way we approach the market and the value that we deliver to our customers and making sure we're getting the appropriate recognition and understanding where the cost leakage can be, and that's exactly what Paul is talking about, but it is being the best provider in the eyes of your customer. I'm not sure all of the procurement folks would tell you that these guys already talked about it in terms of how we are approaching our relationship with our customers to ensure that from the shop floor all the way to the conference run that the Sonoco image value is fully recognized within the customer.

Sean Cairns
President of Consumer Packaging of EMEA & APAC

Yes. I think what I'd say is we don't sell on price. We sell on value. And fundamentally, there's more tools than sitting in a commodity market, and that's essential. Having that pride, going into the customer being different in the face of the customer matters a lot.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

I have a couple of online questions. First one for Howard. You've talked -- you've spoken with regards to the importance of debt reductions, but when will share repurchases come into the picture?

Robert Howard Coker
President, CEO & Director

I think what we kind of went through that in pretty great detail. Number one focus is making the appropriate capital investments associated with growth and profitability, getting our debt down. So we're not really going to consider anything until we get our debt at that 2.5-ish type of range, and then we'll see what opportunities come from that point on.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Okay. And a question from Mark Weintraub with Seaport Research. Is there any metal overlap impact in 2026? And if so, is it embedded in your 2026 guide?

Robert Howard Coker
President, CEO & Director

Nothing material.

Paul Joachimczyk
Chief Financial Officer

Yes. I was going to say there's really from an MPO perspective, you're not going to see -- like after the Ball acquisition, there was this massive uplift. So from our perspective, we really will be balanced out some minor impact, but it's nothing material that will change our results.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Further questions in the audience? Anojja?

Anojja Aditi Shah
UBS Investment Bank, Research Division

I just wanted to get an update on pet food. I know that was an area of focus. You had pretty low exposure when you first bought the business, and it was an area you were trying to build. Where are you now? And also what drove that 10% volume increase number in Q4? Was pet food part of that?

Ernest D. Haynes
President of Consumer Packaging of Americas

Yes, I'll take that. Pet food is obviously one of the highest compounded annual growth rate subsets in the food category. It's not something we had a large presence in dating back. So we've been really intentional in getting our feet wet in that space.

So we'll have some pet-related products on shelves in 2026 that we're excited about, and we'll continue to try to grow out that footprint. Relative to food can, we've just been very, very successful with organic growth with our existing customer base. We kind of call that core growth. So we've seen the customers we serve, continue to have good shelf presence, and we've grown with them. And we've had some opportunistic share gain wins along the way. So we feel good about the persistency of that growth into 2026.

Sean Cairns
President of Consumer Packaging of EMEA & APAC

Yes. What I'd also add is if you look at the sort of pet premiumization, some people just -- since COVID, I think everyone bought themselves a dog. So there's a lot more pets, there are a lot more smaller pets. Gone are the days of buying a 1-, 5-, 3-millimeter dog food and spooning it out. So there's a lot more single serve out there, and we've come up with new products that go into the single-served market.

On the rigid paper side, we've seen really good success in going into new markets for dog treats. So a sustainable dog treat package that can go into the waste stream, a paper waste stream, that's where we're seeing growth. So it's not just looking at the pet segment as sort of wet pet food, it's much broader, because to be honest, some people are spending more money on their pets than their kids. So we need to be positioned there.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

Any further questions? Wolfe, you got one more question?

Unknown Analyst

Just curious, with respect to footprint optimization, how much will we have to spend to achieve that? Because I know how France can be.

Robert Howard Coker
President, CEO & Director

Yes. So Paul talked about it in detail. We are taking, I look at -- typically, we talk about capital dollars and not so much around restructuring. Now it's all one pool. So when we evaluate, whether James comes in and says, I've got a 5-year great IRR on an investment that's not customer-related, something can wait, and then we look at consolidation in France. And so for the same amount of capital, I can get a 2-year return or cash.

So that's how we're looking at it. So when we talk about our cash capital allocation included in that is restructuring. And certainly, if you look at the $150 million to $200 million, there's -- Sean and his team, especially are laying out what potential opportunities we have and making sure that we're managing our cash flow accordingly and choosing the best returns for our shareholders.

Sean Cairns
President of Consumer Packaging of EMEA & APAC

Yes. And I won't pick out France, but we know what Europe is like. I mean, restructuring is a burden. However, the one thing I'd say is in my -- I've spent the majority of my career on the mainland of Europe. It makes you think differently. So for me, one of the big opportunities we've got, particularly for the Rigid Paper business, we've had opportunities to say, build a Rigid Paper plant in Italy for a customer, but we'd have to employ a plant manager, a quality manager, et cetera. So utilizing the assets that we've got and putting some paper assets in those facilities is a massive opportunity for us. And that will give us a much lower cost of entry. And so we look, we've got a couple of projects that we're looking at right now, which are encouraging.

Roger P. Schrum
Head of Investor Relations & Global Marketing Communications

All right. Any further questions? If not, I would remind everybody we're going to have a brief modeling session for those that are interested in and getting to a little bit more detailed information.
Jerry Cheatham will lead that session. But again, thank you very much for your time. And please give the management team of Sonoco a round of applause. Thank you very much for your time.