

Sonoco Products Company NYSE:SON

FQ3 2026 Earnings Call Transcripts

Thursday, October 22, 2026 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2026-			-FQ4 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.79	1.67	▼ (6.70 %)	1.19	5.63	NA
Revenue (mm)	2075.78	2041.58	▼ (1.65 %)	1786.61	7416.54	NA

Currency: USD
Consensus as of Oct-22-2026 12:27 AM GMT

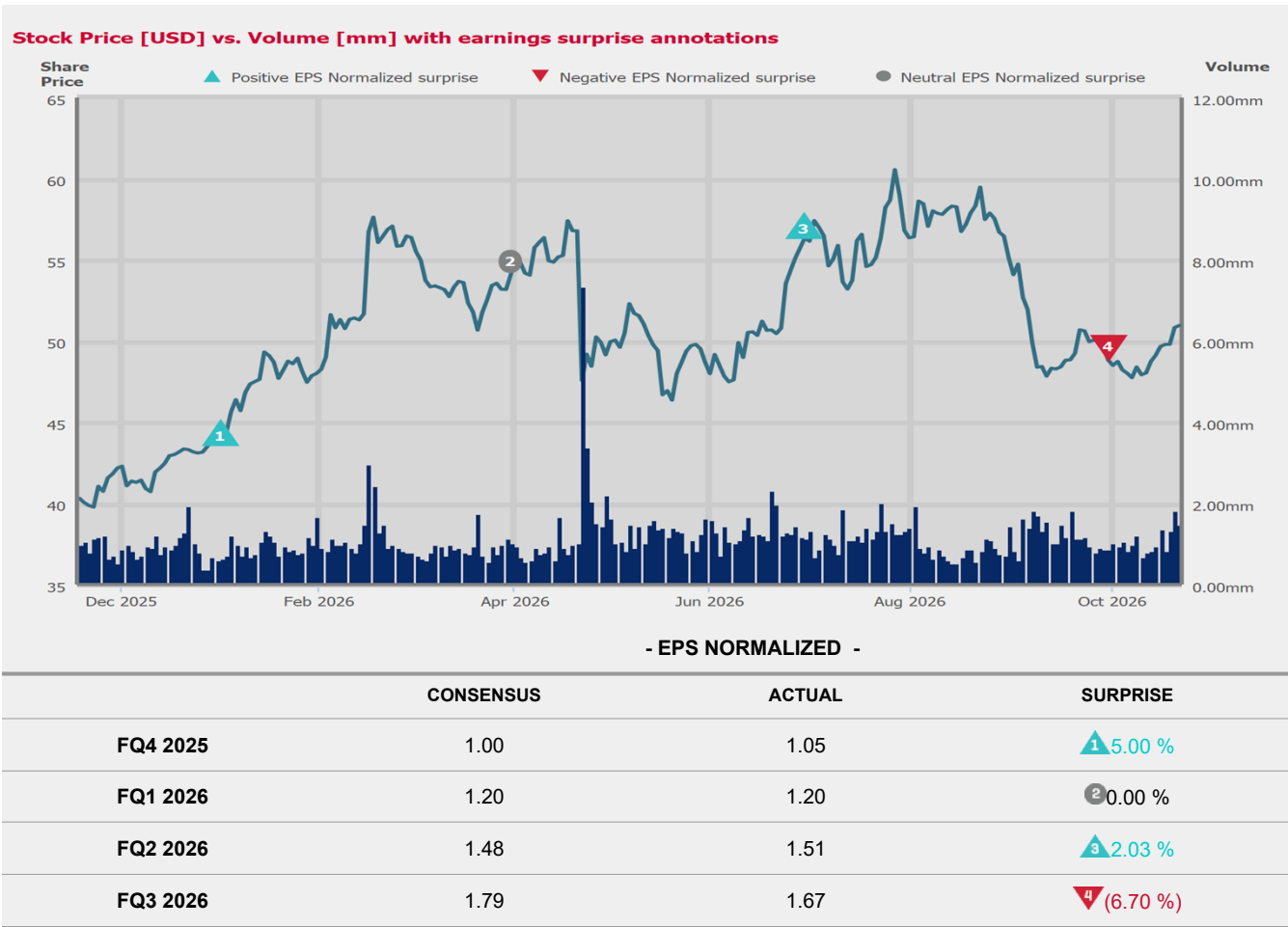


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Call Participants

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Presentation

Operator

Thank you for joining us, and welcome to the Sonoco Third Quarter 2026 Earnings Conference Call. [Operator Instructions]

I will now hand the conference over to Roger Schrum, Head of Investor Relations and Global Marketing Communications. Roger, please go ahead.

Roger P. Schrum

Head of Investor Relations & Global Marketing Communications

Thank you, Warren, and good morning, everyone. Last evening, we issued a news release and posted an investor presentation that reviews Sonoco's third quarter 2026 financial results. Both are posted on the Investor Relations section of our website at sonoco.com. A replay of today's conference call will be available on our website later today and we'll also post a transcript.

If you'll turn to Slide 2, I will remind you that during today's call, we will discuss a number of forward-looking statements based on current expectations, estimates and projections. These statements are not guarantees of future performance and are subject to certain risks and uncertainties. Therefore, actual results may differ materially.

Additionally, today's presentation includes the use of non-GAAP financial measures, which management believes provides useful information to investors about the company's financial condition and results of operations. Further information about the company's use of non-GAAP financial measures, including definitions as well as reconciliations to GAAP measures is available under the Investor Relations section of our website.

Joining me this morning are Howard Coker, President and CEO; and Paul Joachimczyk, Chief Financial Officer. For today's call, we'll provide remarks followed by your questions. If you'll turn to Slide 4 in your presentation, I'll now turn the call over to Howard.

Robert Howard Coker

President, CEO & Director

Thank you, Roger, and good morning, everyone. During the third quarter, our business has faced a combination of challenges. Through strong productivity initiatives and rigorous cost control, our teams were able to mitigate a significant portion of these issues and deliver resilient operating results. Paul will cover the detailed financial results.

So if you'll turn to Slide 5, I'll focus my comments on the operating performance of our Industrial and Consumer Packaging segments, where we maintain leadership positions in uncoated recycled paperboard, metal and paper cans and closures. Our Industrial segment delivered another solid quarter with results essentially in line with the second quarter despite a dynamic operating environment. Productivity continued to be a key driver, while North America URB trade ton sales increased 10% year-over-year and mill utilizations remained strong at 94%. Wire and cable reel sales continue to perform well with double-digit sales growth. Overall, volume/mix in the Industrial segment was modestly positive. Additional URB pricing realized in September further strengthens our ability to recover rising input costs moving forward.

Results from our Consumer Packaging segment were below our expectations. Volume/mix was down 3% year-over-year, primarily due to hot and dry weather conditions and unfavorable price/cost relationships during the quarter. There were several encouraging areas of performance in the Consumer segment. Our international paper can operations delivered double-digit volume growth, supported by continued solid demand for snack products across emerging markets. Also, U.S. aerosol can demand was up 7%, while productivity initiatives generated strong operational benefits across the businesses.

As illustrated on Slide 6, we faced several external factors in the third quarter. Drought conditions across parts of both Europe and the United States negatively impacted crop yields, reducing demand for food cans. At the same time, inflationary pressures across raw materials, freight, energy and other operating inputs were simply beyond our expectations.

As shown on Slide 7, we have spent much of 2026 managing a dynamic business environment. Freight costs alone increased \$17 million year-over-year in the quarter, while diesel prices, which had stabilized in early July, accelerated to record levels, topping \$6.50 per gallon in the U.S. Energy, raw materials and other operating costs also continued to rise. Old corrugated containers, or OCC, our largest industrial raw material input, increased another \$25 per ton during the quarter and is now 90% higher than a year ago. As a result, total URB production costs have increased more than \$60 per ton year-over-year.

In addition, the euro adjusted relative to the U.S. dollar during the quarter, which reduced the translated value of our European sales and earnings. While these factors were significant, our focus has not changed. We're driving productivity. We're managing costs aggressively and implementing pricing actions where appropriate.

With that brief summary, let me turn it over to Paul, and then I'll come back with some final comments.

Paul Joachimczyk
CFO & Principal Accounting Officer

Thank you, Howard. Before I review the quarter, 2 reminders. Unless otherwise noted, all metrics are adjusted. Reconciliations to the most directly comparable GAAP measures are included in our earnings materials. Also, third quarter 2025 results included ThermoSafe, which was divested in the fourth quarter of 2025. Where relevant, I will compare results both as reported and excluding ThermoSafe.

During the quarter, we recorded an \$829 million noncash goodwill adjustment, primarily related to the Consumer EMEA business. The adjustment reflects an updated assessment of the carrying value based on current market conditions and business performance. It does not affect adjusted results that I will be discussing today.

Turning to the third quarter results on Slide 9. The third quarter reflected changing market conditions. We responded with targeted pricing, productivity and cost actions. Let me walk through the results. Net sales were \$2 billion, down 4% year-over-year. Excluding the ThermoSafe divestiture last year, sales were essentially flat. Industrial contributed \$32 million of growth, driven by healthy trade and URB demand, along with pricing realization in North America. Consumer offset those gains primarily because of the lower pack season volumes in North America and Europe reflected with the effects of high temperatures, rainfall and other weather events on crop yields.

Adjusted EBITDA was \$352 million with a margin of 17.2%. This was down 9% year-over-year or 4% excluding ThermoSafe. Productivity and cost actions mitigated a portion of more than \$30 million in input costs. Adjusted EPS was \$1.67, down 13% year-over-year or 7% excluding ThermoSafe. Higher input costs and softer global food can demand affected the reported results, while productivity and the Profitability Performance Plan, or PPP, benefits helped mitigate those pressures.

Our businesses again generated strong operating cash flows in the third quarter, delivering \$285 million despite seasonal working capital headwinds. We also strengthened the balance sheet by reducing total debt by \$162 million and net debt by \$176 million, while successfully refinancing an \$800 million term loan. That refinancing extends our maturity profile and enhances financial flexibility, supporting our capital allocation priorities while maintaining our investment-grade credit ratings. Although volumes and related inventory affected quarterly cash generation, year-to-date cash flow remains above last year.

We are taking significant actions to create advantageous financial outcomes. Industrial sales increased 5% and productivity initiatives helped offset input costs. Our PPP program delivered an additional \$16 million of savings, its strongest quarterly contribution to date. These results demonstrate the disciplined execution and position us well as the market conditions improve.

Turning to the EPS bridge on Slide 10. Adjusted EPS of \$1.67 included \$0.26 of operational performance headwinds. In Consumer, input costs and softer global food can demand affected earnings. In Industrial, higher OCC costs preceded contractual price resets during the quarter. Nonoperational items provided a net \$0.02 benefit to EPS. Lower interest expense from debt reductions contributed \$0.12, while SG&A savings added \$0.06. Depreciation and amortization, tax rate impacts and other items offset these nonoperational benefits.

PPP contributed an additional \$0.12 to EPS, up from \$0.07 in the second quarter. This was the third consecutive quarter of realized savings and the program's largest contribution to date. Year-to-date, these actions have delivered \$0.25 of EPS benefit, offsetting some of the input costs through the first 9 months of 2026. Overall, productivity, disciplined cost management and PPP helped mitigate the effects of lower volume and higher input costs in the quarter.

Turning to cash flow on Slide 11. We continue to generate solid free cash flow, up 2% year-over-year, even with softer sales and seasonal working capital increases. Disciplined capital spending now tracking at 3.3% of sales for the year demonstrates our fiscal responsibility. As a reminder, our year-to-date cash flow includes \$103 million of onetime tax payments related to the gains of our 2025 divestitures, which will not repeat. We remain focused on delivering our cash flow commitments and maintaining our strong balance sheet.

With that context, let's turn to Slide 12. This quarter, we added an additional detail to provide greater transparency into our balance sheet, liquidity and disciplined approach to managing financial cycles. We reduced total debt by \$162 million and net debt by \$176

million during the quarter. We also refinanced an \$800 million term loan, extending our maturity profile, enhancing our financial flexibility and maintaining our low funding cost. The strong cash-generating power of this business allows us to reduce our debt, invest back into the company and continue our 43-year track record of increasing dividends paid to shareholders.

Turning to the segment performance on Slide 13. Consumer sales were down 3% year-over-year, including a 1% foreign exchange impact primarily from euro movements, along with softer global metal food can volume. Harvesting quality and high temperatures affected crop yields across several key customers and end markets. Other parts of the portfolio remained resilient. Pricing in paper cans and international volume growth partially offset lower metal food can volumes. We expect paper can volume to remain steady through the end of the year. Improving canned seafood volumes also supported the segment with that market now representing 10% of our Consumer portfolio.

Consumer EBITDA was down 9% in the quarter. The team is responding with urgency through productivity, operational excellence and pricing initiatives. Investments in plants efficiencies and asset utilizations are strengthening the segment's earnings profile. We are also accelerating footprint optimization by closing 2 sites in Europe, which we will expect to generate \$15 million to \$20 million of savings in 2027.

Industrial sales increased 5% year-over-year to \$646 million, supported by pricing and strong North American execution. Mill utilization also remained strong. Reels continue to grow, benefiting from the recent capacity investments and higher wood demand, particularly for wire and cable applications supporting data center construction and broader U.S. infrastructure investments. Industrial adjusted EBITDA was down 5% year-over-year as higher OCC, freight and diesel-related transportation costs preceded price recovery. Productivity and operational improvements mitigating a meaningful portion of these cost increases. The Industrial team continues to execute well through productivity and commercial initiatives. Demand across key end markets remains healthy and additional pricing actions are underway.

On Slide 14, I'll review the progress on the Profitability Performance Plan. Our 3-year Profitability Performance Plan is a company-wide program designed to deliver structural margin improvement, simplify the organization and strengthen commercial effectiveness. The program is gaining momentum and directly offsetting input costs. Results through the first 9 months reinforce our confidence in the earnings and margin opportunities in 2027 and beyond.

The plan delivered \$16 million of savings in the third quarter, up from \$10 million in the second quarter, \$8 million in the first. Year-to-date savings reached \$34 million and now annualized savings are at \$51 million or 1/3 of the low end of the 3 -- range of our 3-year target of \$150 million to \$200 million. We remain on track and continue to pursue opportunities to accelerate savings toward the high end of that range. These structural savings create a durable foundation for continued profitability improvement.

Turning to our full year outlook on Slide 15. We remain confident in our strategic direction, including the move to One Consumer business and in the progress of our productivity and profitability initiatives. We are driving additional improvements to offset higher input costs and softer volumes. Based on the current market conditions and the third quarter performance, we are updating our full year expectations.

We now expect net sales of \$7.2 billion to \$7.4 billion, adjusted EBITDA of \$1.2 billion to \$1.25 billion, adjusted EPS of \$5.30 to \$5.50 and operating cash flow of \$600 million to \$650 million. Our updated outlook reflects current market conditions. The underlying pace and quality of our execution remains strong. In the third quarter, we delivered solid industrial growth, significant productivity gains and meaningful PPP benefits while accelerating select European footprint actions. These steps are building a more agile, efficient and profitable Sonoco, and we remain confident in our ability to expand margins, strengthen earnings power and create long-term shareholder value.

With that, I'll turn the call back to Howard.

Robert Howard Coker
President, CEO & Director

Thank you, Paul. If you'll turn to Slide 16, I want to spend a few minutes on what we're doing to improve performance and position the business for future growth. In August, we aligned our can businesses as one global Consumer Packaging segment. This creates one team focused on driving greater alignment across operations, technology, R&D, procurement, supply chain and commercial execution around the world.

Ernest Haynes has been made President of our \$5 billion Global Consumer segment with operations in America, EMEA and APAC. Ernest has 30 years of leadership experience at Sonoco and has already hit the ground running, building a strong global team and spending significant time with our operations and customers around the world.

As Paul mentioned, we are accelerating actions to improve profitability, including optimizing facilities and taking additional cost saving initiatives under our PPP program. At the same time, we're staying focused on cost recovery while continuing to invest in opportunities that support long-term growth.

Turning to Slide 17. Our industrial business continues to perform well despite rising input costs that we've managed throughout the year. URB demand remains healthy with global trade ton sales up 6% in the third quarter and operating rates in the U.S. continue to run in the mid-90s as we enter the fourth quarter. We also see strong demand drivers for wire and cable reels. Those positive trends give us confidence in the long-term outlook for our business, and we're evaluating additional investments to support further growth.

On Slide 18, you can see the actions we're taking to address rising input costs. In the Industrial segment, we successfully implemented two price increases this year totaling \$110 per ton. Because of the timing of the most recent increase, we will realize some of the benefit in the fourth quarter with the full impact showing up as we move into 2027. And finally, we've implemented surcharges across both our industrial and consumer business to help offset the input cost increases we've experienced in freight and diesel.

As we wrap up on Slide 19, the third quarter was clearly dynamic, but we also believe we're entering an important period of opportunity. In Industrial, we're benefiting from strong URB demand and continued growth in reels. In Consumer, our innovation pipeline in both metal and paper cans positions us for future growth. Most importantly, we remain confident in our strategy, our market-leading positions and the ability of our team to execute through economic cycles.

With that, operator, we'd be more than happy to answer any questions.

Question and Answer

Operator

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

George Leon Staphos
BofA Securities, Research Division

I appreciate the details. I guess for my two questions, Howard, I guess, to begin, the range implied for the fourth quarter is relatively wide. And I was wondering at this juncture, what's giving you the pause, if there is any, to narrowing the range since we're obviously now 9 months into the year. Where is most of the uncertainty if there is any, showing up? Is it inflation? Is it in volume?

The second question, recognizing that it doesn't affect your cash flow, can you talk about what went into, as I understood it, the impairment charge related to the food can business and kind of what the considerations were and what it means or what your accountants thought in terms of what is going forward in terms of cash flow generation from that business that led to that charge?

Robert Howard Coker
President, CEO & Director

Yes. Thanks, George. I'm going to flip over to Paul to get a little more color and depth to your question.

But from a range perspective, after exiting Q2, as we were reaching the end of Q2, we thought we had peaked out in terms of inflation. Who would have thought that diesel would have run off from \$4 at that point in time to, as I noted, \$6.50? So it's wide, yes, but you also have to add in what's going to happen as it relates to the holiday seasons, et cetera, on the macro side of things. As we enter the quarter, things seem to be tracking to our midpoint type expectations. So it's really about the unknowns and what amount of surprises that we've seen from a macro.

Let me talk just briefly about the impairment. And again, Paul can get into more of the technical side of it. But we're as bullish about the strategy as we've ever been. There's no doubt about it that if you look inside the 4 walls of the acquisition that we've had a sluggish type of start, and it starts with leadership.

We were, unfortunately, we lost our key leader midway through the first year. But I'm really, really excited about the new structure and the benefit under Ernest and his team, global team that he's got in place. It's great assets that we have across the portfolio, not just in Europe, but in the U.S. as well, great team, great people, dynamic market. And we see just the same thing we saw from day 1. It's just taken us a little bit more time.

And again, I'll pass it on to Paul, that the benefit that we've defined from the very beginning was that as we entered into this market 3, 4 years ago that scale mattered. And we felt like this acquisition was going to be a benefit on a global perspective. Well, that's not how you test. You test on performance within the 4 walls of the acquisition. But we've seen strong benefit in North America and other parts of the world that we're very happy with. And Paul talked to SG&A type savings, and I'm referring to more procurement, but SG&A savings that are now captured in PPP that we're moving forward. So strategy is intact, alive and well. We're excited about it.

But Paul, if you would like to add any further color?

Paul Joachimczyk
CFO & Principal Accounting Officer

Absolutely. Yes. So George, the impairments, we annually test our goodwill in the third quarter, and this really is a normal cycle for us. And if I take you back to what happened in 2025, is a very narrow margin that we disclosed in our Q and our K that we were passing with a 3% margin. If we fast forward to the first half of this year, business is performing on track. And then really in Q3, battling the volume challenges that were over there and the inflation headwinds that really hit us did lead us into a space where we actually had to take the impairment charge.

Nothing really changes on the long-term viability of the business, the overall global strategy for us. It is just the fact that we have to test this business still independently and as a stand-alone and we can't capture those global synergies across the portfolio. But really, it's just more of a, there was no triggering event. It's just our normal annual process that we have to go through.

Operator

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

Michael Andrew Roxland
Truist Securities, Inc., Research Division

First one, relative to your expectations, how much were incremental costs in the quarter? And how much were you able to offset with productivity initiatives and other cost control?

Paul Joachimczyk
CFO & Principal Accounting Officer

Yes. It's a good question. So really, if you break it into two parts, and that's really kind of the theme that happened in Q3 is there was a volume impact and there was an inflationary impact. And they were both relatively equal. And you could say roughly the total impact was around \$40 million, \$50 million almost split between volume and inflation. Productivity did offset some of that. You saw in our EPS bridge, call it, \$0.26 of EPS headwinds that was there. You'd say of that \$50 million headwinds that we did have and experience, \$0.24 of it was offset and then \$0.26 fell negatively to the bottom line.

Michael Andrew Roxland
Truist Securities, Inc., Research Division

Got it. That's very clear, Paul. And then just in terms of how we think about maybe '27 and '28 EBITDA, obviously, for '27, could you provide us with some of maybe the larger buckets, key items to get to '27 EBITDA because now you're starting at a lower midpoint or low point, I should say, for 2026. You're down about \$75 million. So obviously, starting from a lower base. So help us bridge to 2027 with some of the larger buckets or key items.

And then also, if you don't mind, can you help us understand how you're going to achieve the \$1.5 billion in EBITDA in 2028 that you targeted at your Analyst Day last year?

Paul Joachimczyk
CFO & Principal Accounting Officer

Yes. Good questions there on the 2027 bridge. And we gave a couple of snippets in there in the call. If you picked up on the 2 site closures that we're talking about in Europe, that's going to enhance our EPS or EBITDA by \$15 million to \$20 million that are out there. We are expecting relatively flat volumes year-over-year and then you add in some of the PPP productivity that's going to enhance some of the earnings that are there, but we do experience inflation that's going to carry through.

But I'll say, as long as inflation holds, here are some of the positives. On the industrial side, we should be in a positive price/cost recovery mode into the first half of '27. And then we are still going through the negotiations on our steel buy in our Consumer business. And as you know that, that gets closed out as we close this year and then we go into those contract negotiations with our customers in the first quarter. Still too early to speculate on where that will land, and we'll give you the full '27 outlook as we get into February and we give that guide.

Michael Andrew Roxland
Truist Securities, Inc., Research Division

And then just quickly, Paul, just in 2028, how do you expect to bridge that as well?

Paul Joachimczyk
CFO & Principal Accounting Officer

The '28, we'll give the context on that as well in February.

Operator

Your next question comes from the line of John Dunigan with Jefferies. [Operator Instructions] Your next question comes from the line of Anthony Pettinari with Citi.

Anthony James Pettinari
Citigroup Inc., Research Division

Just following up on George's question earlier. Consumer volume mix was down 3%, I guess, year-over-year in 3Q. And looking at the guidance range for 4Q and just looking at kind of what, how October has played out, any thoughts on what that range might be?

And then second question, from a cost perspective, are you expecting costs for 4Q to sequentially be kind of just stable with 3Q? Are you penciling in a little inflation or a little relief? Or just any finer point you can put on that?

Robert Howard Coker
President, CEO & Director

Thanks, Anthony. Right now, what we're forecasting into Q4 is relatively flat year-over-year on Consumer. We think Industrial is going to be up slightly. And you're hitting on the issue is inflation. Right now, we're assuming that things are fairly well leveled out. So we're not expecting things to get worse from an inflationary perspective.

But keep in mind, again, we talked through it in the prepared remarks that while we received good recognition on the two price increases we put in industrial, the second recognition, first off, we were \$50 recognized with an increase in cost of \$60. So it was consumed, first was consumed in the third quarter. Second one was recognized late in the quarter. So we will not get 100% recovery of that second \$60 until January 1 or the first quarter of this coming year.

On the Consumer side, as Paul just said, it's really, while we've got surcharges and price increases out there where available, contracts really don't reset until the beginning of the year. So there's still a bit of an inflation headwind, some improvement as it relates to the recovery I just talked to, but flat in Consumer and slightly up in Industrial.

Operator

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

Mark Adam Weintraub
Seaport Research Partners

So I appreciate the flat in Consumer volume expectation for 4Q. Could you provide maybe a little bit more color on specifically for Europe and also in 3Q, I think you've talked about 3% kind of overall. And how much of, and if you could kind of talk through where -- why volume came out the way it did? I mean, because you referenced things about weather, et cetera. So trying to get a sense as to how much is quasi onetime versus thinking about the underlying structural growth in the business and things like that.

Paul Joachimczyk
CFO & Principal Accounting Officer

Yes, Mark, great question. And if we think about, I'll answer the 3Q first. The drought and impacts like that did impact our volumes across the globe. It doesn't matter if it's in the U.S. or Europe. I'd say those are all negatively impacted. We did have some bright spots though. And if you point to the bright spots, it was around our aerosol business in the U.S., it was around our fish and seafood business across the European primarily, our pet food business, the PIF business as well, too. Those were all strong volume gains.

It really is, it goes to this onetime, I'll call it, a seasonal impact related to the drought that's there. I do not expect that to continue forward. If anything, I'd say that gives us more confidence as we go into the out years that more crops will have to be planted, more acreage will have to be in the ground, there will be canning opportunities for us as we go into '27 and beyond. So I really want to quantify Q3 as that kind of seasonal impact onetime. Unfortunately, you don't have the ability to go recover that in the fourth quarter because once the crop harvest is passed, you really do kind of get stale in that space.

The other bright spots here, too, was around our snacking portfolio. If you think our paper can business internationally, that did grow strong both in Europe and in Asia. You're seeing really strong growth down in Mexico as well, too, those facilities are sold out. So this is a really strong opportunity for us on different fronts of our portfolio, but really the impact this quarter was our food can volumes.

Mark Adam Weintraub
Seaport Research Partners

Okay. Super. And then just if you could just update us with your thoughts. Obviously, you've had a competitor reenter the URB market. As you've gotten a little bit more color, thoughts on possible impact for you guys?

Robert Howard Coker
President, CEO & Director

Yes. Mark, we're really not seeing that particular competitor in our space. I'm sure they're having some success in markets that we really don't participate in. So it's kind of business as usual as far as we're concerned.

Mark Adam Weintraub

Seaport Research Partners

And maybe just as a quick follow-up. The way your pricing contracts are set up, even if the competitor is not competing directly where you do, does it potentially have impact because perhaps contracts are tied to parts of the market where they do compete? Or are you able to insulate yourself from that risk?

Robert Howard Coker
President, CEO & Director

Yes. Right now, even in those markets, it's hard for me to answer that question. I would say no. I think that the bigger players in the market are going to carry more weight than some of the smaller, less demanding sides of the business. So at this point in time, we're not concerned about it. And frankly, even in, we're just not even seeing a pricing issue in the market at this point in time.

Operator

Your next question comes from the line of John Dunigan with Jefferies.

John Robert Dunigan
Jefferies LLC, Research Division

Can you hear me now?

Robert Howard Coker
President, CEO & Director

Yes, John.

John Robert Dunigan
Jefferies LLC, Research Division

Sorry about the technical difficulties before, but I appreciate the time and all the details this morning.

I just wanted to start off on the can businesses. Can you remind us if there's any aspect of a cost pass-through tied to PPI for those businesses? Or it's just really as you get to year-end, talking about the steel pricing and getting that re-upped?

Paul Joachimczyk
CFO & Principal Accounting Officer

Yes, John, really, if you go into how we do price this, there is those indexes that are out there. But going back to how the whole can business works is you go through your primary component of your steel, which gets negotiated annually. And then there is two opportunities kind of with some of the customers kind of at the Q1 point and Q2. But for other items that are ancillary, and if you think about tariffs or other surcharges, we do have those accelerators that can go through there. But it is primarily to 2 points in time where you go and negotiate prices with customers.

Robert Howard Coker
President, CEO & Director

And very similar on those -- very similar on the paper can side of the business as well.

John Robert Dunigan
Jefferies LLC, Research Division

Okay. And just for the two sides of the pond, any differences in how those contracts are structured with some of those cost pass-throughs and material clauses?

Robert Howard Coker
President, CEO & Director

Nothing materially different. No.

John Robert Dunigan
Jefferies LLC, Research Division

Okay. Appreciate it. And then, Paul, I think I heard you say you're tracking towards and targeting the high end of the PPP program. And you talked about trying to accelerate some of those initiatives now given the current environment. So I'm just wondering if you could update us on how you're thinking about the cadence over the remaining 3-year time frame. Appreciating that.

Paul Joachimczyk
CFO & Principal Accounting Officer

Absolutely, John, and great question. If you think about how we're going to end '26 is we're targeting right now right around \$50 million. We've already identified \$15 million to \$20 million of the two site closures that are happening into '27, and we expect '27 to be incrementally higher than '26, kind of you can call it \$10 million to \$15 million to \$20 million higher. As we get into '28, it will be higher than '27 because these are more of those structural investments that we have to make, optimizing the footprint, but also investing in our own facilities to get more productivity out of them and yielding better results.

So we expect a steady ramp. You can call it \$50 million, call it, \$60 million, \$70 million, if you wanted to, or you get in that ballpark. But we're targeting in the \$180 million range right in the middle of the \$150 million to \$200 million.

Operator

Your next question comes from the line of Hillary Cacanando with Deutsche Bank Securities.

Hillary Cacanando
Deutsche Bank AG, Research Division

Could you talk about how you're thinking about the OCC cost for the fourth quarter and as we enter 2027? And if OCC remains elevated or moves higher from here, how effectively can you recover that additional inflation under your current pricing mechanism?

Robert Howard Coker
President, CEO & Director

Yes. So right now, we're assuming OCC to be flat as we go into the fourth quarter. And if I understand your second part of your question, certainly, we talk through what the current market conditions are. Too soon for me to say, hey, are we going back out again or not? But those are certainly opportunities for us to take a look at as we enter into the new year. I think I had a little bit of difficulty understanding your second half. I hope that answered.

Hillary Cacanando
Deutsche Bank AG, Research Division

Yes, you did. And then as a follow-up, in terms of your reels business, obviously, sales continue to be strong. As the additional capacity ramps, how are you thinking about growth in 2027? And I was just wondering if you've seen any change in data center demand just given some of the opposition to data center construction that we've seen in recent months?

Robert Howard Coker
President, CEO & Director

Yes. As we're looking into next year, we're probably similar type growth rates that we've seen over the last couple of years. And we've added the capacity to support that growth, actually productivity as well to drive efficiencies as we grow.

Data centers, it's hard for me to sit here today and say that's even been a big part of what we're seeing here, but just the entire greening of the grid to the Internet expansions into rural areas, et cetera, et cetera, et cetera. So I would say that the data center situation, while obviously, it's happening, there's, it's slower than I think most people have expected. And hey, if it happens in a big way, then that's just more opportunity for us going forward. But we're kind of saying we're going to be keeping the same kind of growth pace consistent with the investments we've made in the business.

Operator

Your next question comes from the line of Ghansham Panjabi with Baird.

Ghansham Panjabi
Robert W. Baird & Co. Incorporated, Research Division

Yes. Sorry if I missed this, but for 2026 in total on an EPS basis, what do you estimate price/cost will be for the full year? And are you currently anticipating that you will recover the full extent of that shortfall in 2027, if possible at current levels?

Paul Joachimczyk
CFO & Principal Accounting Officer

Yes, Ghansham, that's a great question. So I'd say our price/cost for all 2026, it's really kind of, I'll say, we've been lagging behind in our Consumer business pretty substantially throughout the year. And then our Industrial business is also lagging behind. Unfortunately, some of that cost will be foregone. We will not be able to fully recover that because as you get through that quarter. But as we get through successive quarters, we will be able to fully recover that.

As we talk to the industrial side, we're going to be call it, positive price/cost as we go into the end of, like call it, the end of fourth quarter and then starting into the Q1 of '27. And then as Ernest goes through his pricing negotiations for '27, we do expect to recover the inflation and be relatively neutral in the space. But I'd say the '26 was more of a onetime event and do not look forward to that trend to continue in the future.

Ghansham Panjabi
Robert W. Baird & Co. Incorporated, Research Division

Got it. And then as it relates to the variances for 2027, I mean, just high level, so is it basically the cost savings flow through that you kind of went through? I think you called out \$50 million of incremental savings and then some of the price/cost recovery. And then as it relates to volumes, all the costs that you're absorbing, certainly, the consumer is going to be absorbing as well. And we already have this issue with affordability and obviously, that's impacted volumes for many different verticals, including yours on the Consumer side.

How are you thinking about that dynamic in 2027? I understand the cyclical nature or the weather-dependent nature of some of the businesses that you're exposed to. But as it relates to the affordability compounding, are you, at this point, expecting any sort of deterioration in the Consumer volume business from a -- that standpoint?

Robert Howard Coker
President, CEO & Director

Yes, Ghansham, we really aren't. We are seeing trade downs. We do participate fairly heavily in the private label side of things and have noted that shift. But staple food items really aren't concerned about, in fact, if history repeats itself, the tighter the market is or the tighter the consumers' wallet is, we see more benefit and more drive to the center of the store. We have seen that historically in our can business for a long, long time.

So we're not building in that, basically, we're saying, look, things are going to kind of normalize itself out and flatten out post the harvest. In fact, there's another side of it says, hey, is there going to be more acreage planted next year, et cetera, et cetera. Right now, we're saying things are going to kind of stay stable.

The other side of it is we're seeing some pretty exciting new launches in the paper can side of the business, you'll, hopefully, you'll be consuming your Cheez-Its in the future out of a Sonoco paper can. There's other SKUs that our customers are putting out to differentiate and drive traffic to the center of the store, to the aisles of the snack aisle. And then, of course, I talked about in detail, not in great detail, but what's happening in growth international, Southeast Asia and in Europe on the snacking side of the business. So sorry about the long-winded nature of it, but no, we don't think, if anything, while it's, or consumer becomes more stressed, it's going to potentially drive more positive to the business.

Ghansham Panjabi
Robert W. Baird & Co. Incorporated, Research Division

And just to clarify, you don't see any real offset from GLP usage, et cetera?

Robert Howard Coker
President, CEO & Director

No. And again, if there is our portfolio, if you just look at it today, is much different than it was before. So we're less on the confectionery, hard baked goods side of things, QSR than we ever have been. So remains to be seen. But again, growth in international markets on the snack side, and we've got new launches that are rolling through on the snack side here in the U.S. that if there is a GLP impact, hopefully, or the expectation would be that it would mitigate that impact.

Operator

Your next question comes from the line of Matt Roberts with Raymond James.

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

Howard, on the 2027 volumes, I might be regurgitating exactly what you said. But when I think about flat year-over-year, you just noted you're not expecting impacts from inflation on staples. We should have an easy comp in Europe given the pack season this year. And in the paper can both international growth and new products. Why should consumer not be up in that scenario? Similarly, on paper, it seems like you're exiting with some strength in URB and reels. Why should that not carry over and be positive in '27? Or are there other categories within industrial paper that are offsetting that? Could be better or worse in '27?

Robert Howard Coker*President, CEO & Director*

Well, Matt, we're really kind of early in the season in terms of forecasting for next year. So could it be, am I being conservative, I'd rather be that way based off of how optimistic I was going into 2026, not expecting the macro of the war, et cetera, et cetera, et cetera, that has hit us every corner you turn. So if anything, to your, I think to your point, are we being conservative? Possibly, but we'll certainly get deeper into this as we finish out the year and get into early next year. And you guys will be the first to know.

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

Fair enough. And those things weren't in my '26 preview either. So I give you there. And then on Consumers, maybe on the aerosols, you talked about, I think last quarter it was a restock that seemed to show up with strength this quarter. Is that onetime strength in 3Q given higher interest rates, potentially weaker housing outlook? What are you expecting for aerosols in 4Q and 2027 as far as the eye can see?

Robert Howard Coker*President, CEO & Director*

We're bullish on the aerosol side. We've got a good mix of customers that are doing the right things in the marketplace. So really strong in the third. Is it going to maintain itself at a 5% to 7%? I don't think so, but we're tied to some very good customers that continue to push forward. So we expect it to not step backwards in any material type of way, but should continue to flow through it.

Operator

Your next question comes from the line of Anojja Shah with UBS.

Anojja Aditi Shah*UBS Investment Bank, Research Division*

I just wanted to ask about the refi that you did, the \$800 million term loan, I may have missed it. Can you talk about the impact to your interest expense next year?

Paul Joachimczyk*CFO & Principal Accounting Officer*

Yes. The impact to our interest expense is going to be roughly immaterial, call it, \$2 million to \$3 million in total. That's there, but it does give us a lot more optionality with nothing coming current in the 2027 time period and pushes out all current maturities out into '28 and beyond.

Operator

Your next question comes from the line of George Staphos with Bank of America.

George Leon Staphos*BofA Securities, Research Division*

Appreciate you taking my follow-ons. One short-term, one longer-term question. In terms of the shorter term, Howard and Paul, we normally go into a period now where you have more OCC generation in the fourth quarter into early 1Q. How would you characterize the environment right now? Should we see continued inflation in OCC? Or will generation hopefully level things off? How would you characterize that?

Robert Howard Coker

President, CEO & Director

George, I'd say it's kind of normal. At this point in time, we're not expecting and not planning for any increase. As you point out, it is through the holiday season, early part of next year, more generation could we see a decline pure speculation when you talk about OCC, but certainly could happen. The good news is we've got our first full look of all the pricing true-up January 1. So any pullback on OCC would certainly be highly welcome as always for the company.

George Leon Staphos
BofA Securities, Research Division

Okay. Understood. The second question, maybe quickly now, maybe more depth in kind of next Analyst Day or maybe the fourth quarter. As you think about the Consumer business, and there have been a lot of questions in terms of the volume growth for the business for Sonoco Consumer on this call, rightly so, if you think about your large categories, has your volume outlook changed at all on a secular basis? I know this year, you've been buffeted by things. But last year, the sardines didn't swim. And so every year, there can be something. As you look out, has the business and your volume outlook changed at all? Has it gotten better? Has it gotten worse? Any thoughts related to the end markets? Because remember with Eviosys and its predecessor, it was frequently an up and down performer volume-wise. Why should it be better on a going-forward basis? Good luck in the quarter.

Robert Howard Coker
President, CEO & Director

Yes, sure. In fact, we dug pretty heavily into that going into the acquisition and even coming out. And if you look at Sonoco in our portfolio as recently as 2019, taking out COVID effect, we're probably 5% to 7% related to "weather, agriculture". And then today, we're probably around 15% to 17% in total company.

So has there been an increase of exposure? Yes, slightly. But at the same time, we're pretty excited about the markets that we've already talked about, relatively flat in pet for the quarter, but it's been riding on an upward trajectory. Powdered infant formula up. When we talk about seafood, it is in massive demand right now. And our growth really is showing up 10% we saw in the third quarter is on the tuna side of things, which is a global supply chain, less of an issue than some others.

So I think if you combine that then with on the can side of the -- paper can side of the business and what we're seeing on the snack side of things, growth there, as we've talked to in pretty solid detail as it relates to Southeast Asia, Europe sold out in South America, new applications showing up here in the U.S. We're extremely bullish about the go forward.

And you can have weather issues. I was speaking to a large group of very interested Sonoco folks earlier in the week. And we were supposed to have the most hurricanes in the history of the country in the Atlantic, and we've had one. I don't wish for hurricanes, but it certainly helps our construction and caulking business when it's time to repair rooftops, et cetera. Weather-related is not just agriculture. So it can be a lot of different things. So we're again, very bullish, and we're focused on all of the markets that we serve today, and I think we got a pretty good mix.

Operator

We have reached the end of the question-and-answer session. I will now turn the call back to Roger Schrum for closing remarks.

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

I certainly want to thank everybody for their participation today and your interest in Sonoco. And as always, if you have any further questions, please don't hesitate to reach out. Thank you.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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