



# Avery Dennison

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VP Investor Relations and Treasury



## **Forward-Looking Statements**

Certain statements contained in this document are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements, and financial or other business targets, are subject to certain risks and uncertainties. Actual results and trends may differ materially from historical or anticipated results depending on a variety of factors, including but are not limited to, risks and uncertainties relating to the following: fluctuations in demand affecting sales to customers; worldwide and local economic conditions; changes in political conditions; changes in governmental laws and regulations; fluctuations in foreign currency exchange rates and other risks associated with foreign operations, including in emerging markets; the financial condition and inventory strategies of customers; changes in our markets due to competitive conditions, technological developments, laws and regulations, and customer preferences; fluctuations in cost and availability of raw materials; our ability to generate sustained productivity improvement; our ability to achieve and sustain targeted cost reductions; the impact of competitive products and pricing; loss of significant contracts or customers; collection of receivables from customers; selling prices; business mix shift; execution and integration of acquisitions; timely development and market acceptance of new products, including sustainable or sustainably-sourced products; investment in development activities and new production facilities; amounts of future dividends and share repurchases; customer and supplier concentrations; successful implementation of new manufacturing technologies and installation of manufacturing equipment; disruptions in information technology systems, including cyber-attacks or other intrusions to network security; successful installation of new or upgraded information technology systems; data security breaches; volatility of financial markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; our ability to obtain adequate financing arrangements and maintain access to capital; fluctuations in interest and tax rates; changes in tax laws and regulations, including the U.S. Tax Cuts and Jobs Act ("TCJA"), and uncertainties associated with interpretations of such laws and regulations; outcome of tax audits; fluctuations in pension, insurance, and employee benefit costs; the impact of legal and regulatory proceedings, including with respect to environmental, health and safety; protection and infringement of intellectual property; the impact of epidemiological events on the economy and our customers and suppliers; acts of war, terrorism, and natural disasters; and other factors.

We believe that the most significant risk factors that could affect our financial performance in the near-term include: (1) the impacts of global economic conditions and political uncertainty on underlying demand for our products and foreign currency fluctuations; (2) the degree to which higher costs can be offset with productivity measures and/or passed on to customers through selling price increases, without a significant loss of volume; (3) competitors' actions, including pricing, expansion in key markets, and product offerings; and (4) the execution and integration of acquisitions.

For a more detailed discussion of these and other factors, see "Risk Factors" and "Management's Discussion and Analysis of Results of Operations and Financial Condition" in our 2018 Form 10-K, filed with the Securities and Exchange Commission on February 27, 2019. The forward-looking statements included in this document are made only as of the date of this document, and we undertake no obligation to update these statements to reflect subsequent events or circumstances, other than as may be required by law.

## **Use of Non-GAAP Financial Measures**

This presentation contains certain non-GAAP financial measures as defined by SEC rules. We report financial results in conformity with accounting principles generally accepted in the United States of America, or GAAP, and also communicate with investors using certain non-GAAP financial measures. These non-GAAP financial measures are not in accordance with, nor are they a substitute for or superior to, the comparable GAAP financial measures. These non-GAAP financial measures are intended to supplement presentation of our financial results that are prepared in accordance with GAAP. Based upon feedback from investors and financial analysts, we believe that the supplemental non-GAAP financial measures we provide are useful to their assessment of our performance and operating trends, as well as liquidity. In accordance with Regulation G, reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures, including limitations associated with these non-GAAP financial measures, are provided in Appendix B of this document.

# Overview: creating superior long-term value

- **#1 player in primary businesses, leveraging strong competitive advantages**
- **Large, growing, diverse end markets; catalysts for consistent GDP+ growth**
- **Successfully executing key strategies:**
  - Driving outsized growth in high value categories
  - Growing profitably in our base business
  - Continuing our relentless focus on productivity
  - Deploying capital effectively
- **Consistently delivering against our long-term financial targets... highly disciplined capital allocator**



# Avery Dennison at a glance

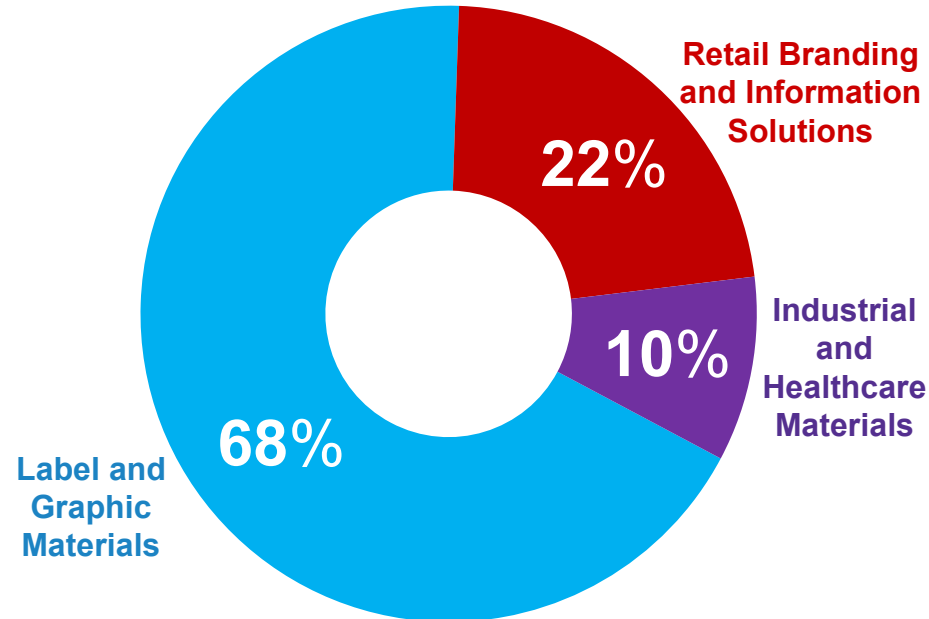
- **Recognized industry leader**

- More than 30,000 employees
- Operations in more than 50 countries
- Manufacturer of pressure-sensitive and functional materials and labeling solutions for the retail apparel market

- **Sustainable competitive advantages**

- Global scale; 180+ operating locations
- Materials science capabilities focused on pressure-sensitive adhesives
- Innovative process technology
- Operational and commercial excellence

## Sales by Segment<sup>(1)</sup>

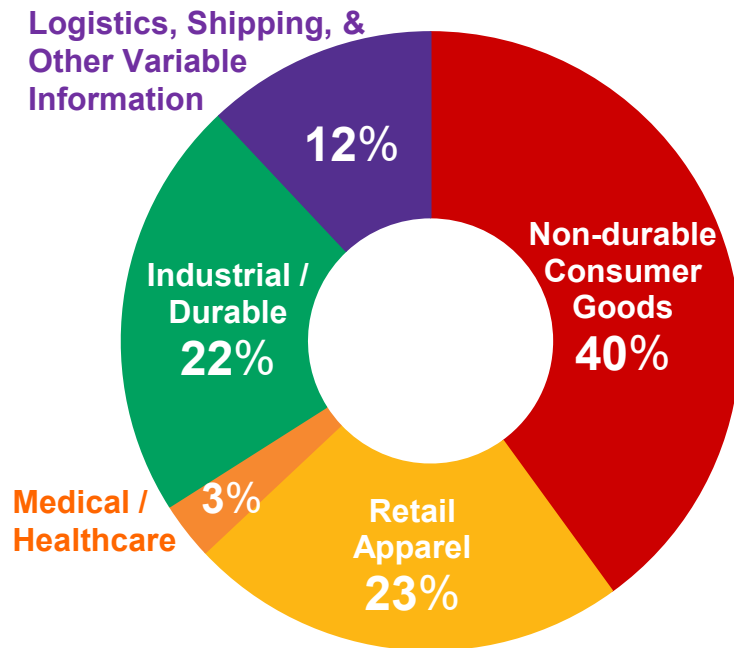


**2018 Net Sales = \$7.2 billion**

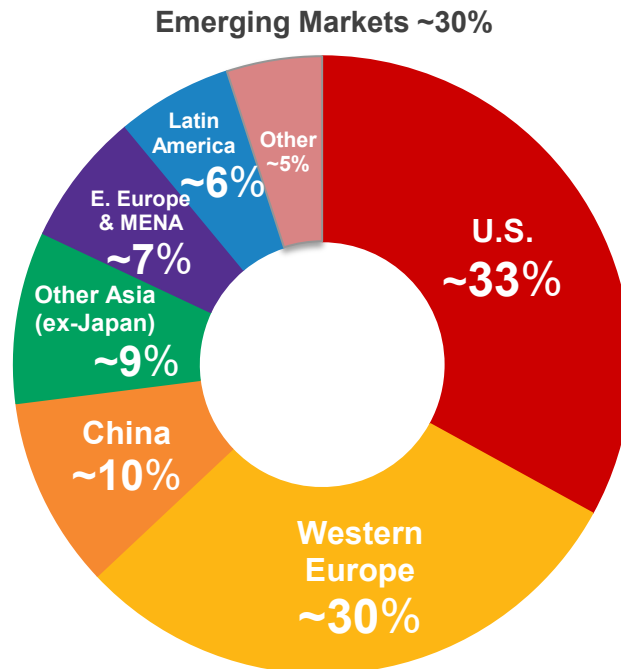
(1) Pie chart based on FY 2018 net sales

# Broad exposure to diverse end markets

## 2018 Sales by Product Category



## 2018 Sales by Geography<sup>(1)</sup>



(1) Sales by end demand region. Other includes Canada, Japan, South Africa, Australia, and New Zealand

# Catalysts for consistent GDP+ top line growth

## High Value Categories ~\$2.6B

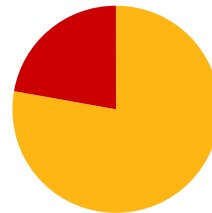
- Secular trends drive GDP+ growth
- Tapes, RFID, Graphics, Specialty Labels

## Emerging Markets ~\$2.1B<sup>(2)</sup>

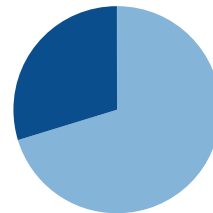
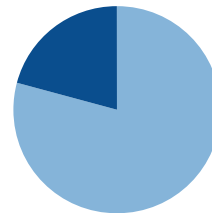
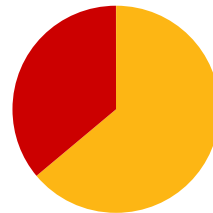
- Further penetration of self-adhesive label technology
- Increased per capita consumption

### Portfolio Shift (% of total sales<sup>(1)</sup>)

2010



2018



*~55% of total sales tied to one or both of these two categories*

(1) Constant currency

(2) Approximately one-third of emerging market sales are in high value categories, which are included in the ~\$2.6B above.

# Achievement of long-term financial targets expected to drive continued superior value creation

	2017 – 2021 TARGETS	2017 – 2018 RESULTS
<b>Sales Growth</b>	<b>4%+ Organic<sup>(1)</sup></b> <b>5%+ Ex. Currency<sup>(1,2)</sup></b>	<b>4.8% Organic<sup>(3)</sup></b> <b>7.5% Ex. Currency<sup>(3)</sup></b>
<b>Operating Margin</b>	<b>11%+ in 2021</b>	<b>10.0% in 2018</b> <b>Adj<sup>(4)</sup>: 11.0% in 2018</b>
<b>Adjusted EPS Growth</b>	<b>10%+<sup>(1)</sup></b>	<b>23%<sup>(3)</sup></b>
<b>Return on Total Capital (ROTC)</b>	<b>17%+ in 2021</b>	<b>19% in 2018</b>
<b>Net Debt to Adjusted EBITDA</b>	<b>2.3x to 2.6x<sup>(5)</sup></b>	<b>1.8x at Y/E 2018</b>

- First committed externally to long-term targets in 2012
- Targets designed to deliver above-average cumulative EVA growth vs. capital market peers and superior TSR
- Substantially met or exceeded all long-term goals for last two cycles (2012-2015 and 2014-2018)

(1) Reflects five-year compound annual growth rates, with 2016 as the base period

(2) Impact of closed acquisitions as of 3/8/2017 is approximately 1 point of growth

(3) Reflects two-year compound annual growth rates, with 2016 as the base period

(4) Excluding restructuring charges and other items

(5) Reflects adjustment of target (from a range of 1.7x to 2.0x) in July 2018, following decision to fully fund and terminate our U.S. pension plan. See Form 8-K filed July 11, 2018.



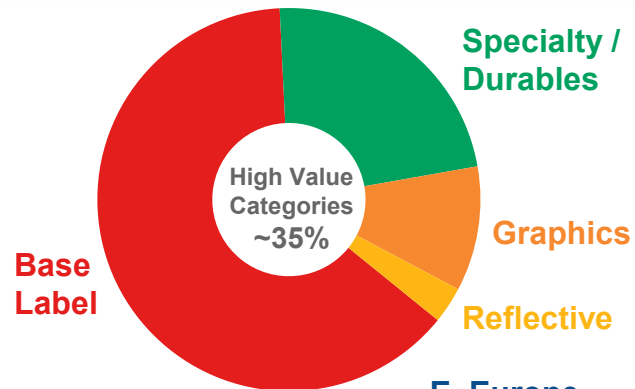
# LGM at a glance



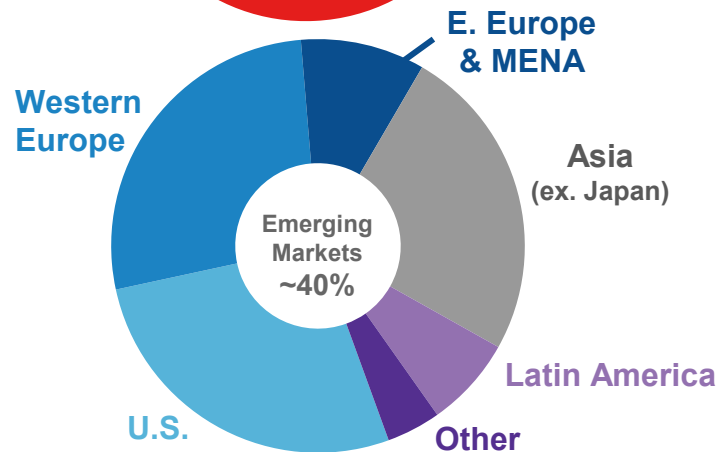
## FINANCIAL SNAPSHOT

	<u>2018</u>	<u>2021 Target</u>
Sales	\$ 4.9 bil.	n/a
Organic Sales Change	5.5%	4-5% CAGR
Adjusted Operating Margin	13.0%	12.5-13.5%

### Sales by PRODUCT



### Sales by GEOGRAPHY





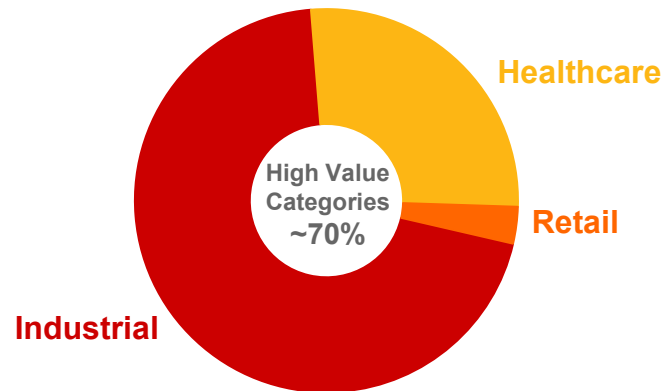
# IHM at a glance



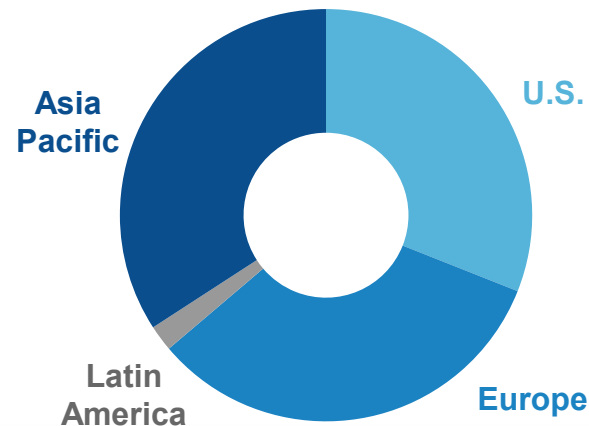
## FINANCIAL SNAPSHOT

	<u>2018</u>	<u>2021 Target</u>
Sales	\$ 695 mil.	n/a
Organic Sales Change	1.4%	4-5%+ CAGR
Adjusted Operating Margin	8.9%	12.5-13.5%+

### Sales by PRODUCT



### Sales by GEOGRAPHY



# RBIS at a glance

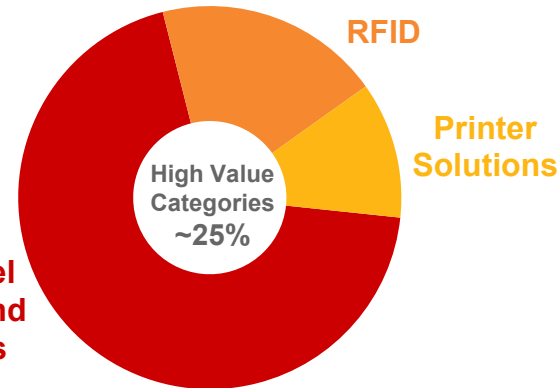


## FINANCIAL SNAPSHOT

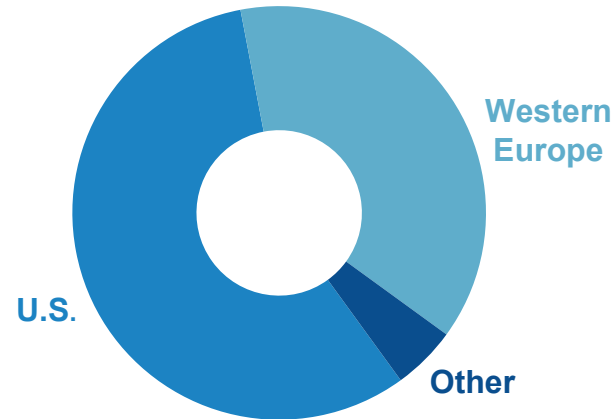
	<u>2018</u>	<u>2021 Target</u>
Sales	\$ 1.6 bil.	n/a
Organic Sales Change	6.9%	3-4% CAGR
Adjusted Operating Margin	11.3%	10-12%

Sales by PRODUCT

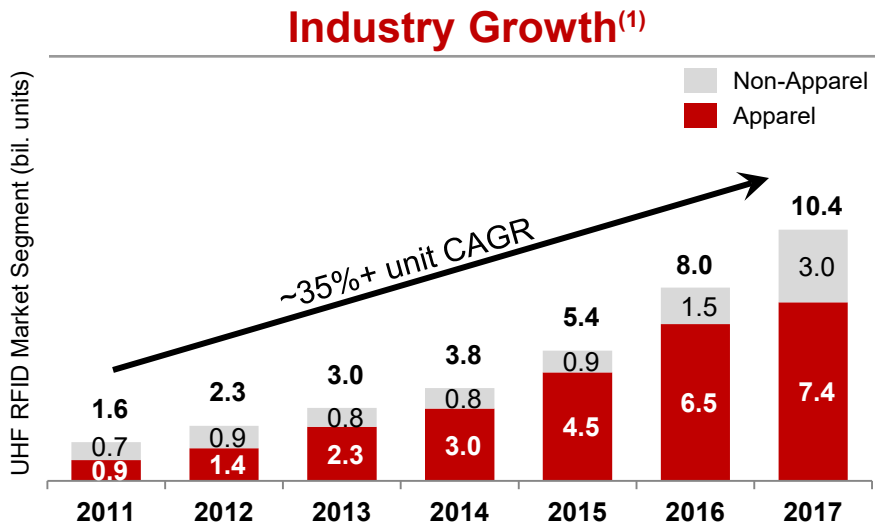
Apparel  
Tags and  
Labels



Sales by END MARKET



# RFID adoption driving significant growth



(1) Source: IDTechEx (data as of May 2018)

- ~\$300 mil. business, growing 15-20%+
- Adds ~1 point to annual Company growth
- Apparel is leading market for UHF RFID today
  - Key enabler for omni-channel retailing
  - AVY has >50% market share
- Promising early stage developments outside apparel
  - Food, beauty, aviation, logistics

Investing in innovation / technology / capacity to ensure continued market leadership

# Disciplined approach to capital allocation

## 5-Year Capital Deployment

(\$ in millions)

### Capital Sources:

Leverage Capacity (2016)

Add'l Leverage Capacity (EBITDA Growth)

Cash Flow from Ops before Restructuring

Available Capital

2017 – 2021

Cumulative

Target

~\$450

up to \$800

\$3,200 - \$3,600

\$4,450 - \$4,850

% of Total

TARGET

ACTUAL

2017 – 2021

2017 + 2018

### Capital Uses:

Capex (net of asset sales)

~\$1,250

25% - 30%

27%

Restructuring

~\$150

< 5%

3%

Dividends

~\$950

~20%

19%

Share Repurchases

31%

Acquisitions / Equity Investments

19%

**Total Capital Available for Buyback/M&A**

**\$2,100 - \$2,500**

**~50%**

**50%**

