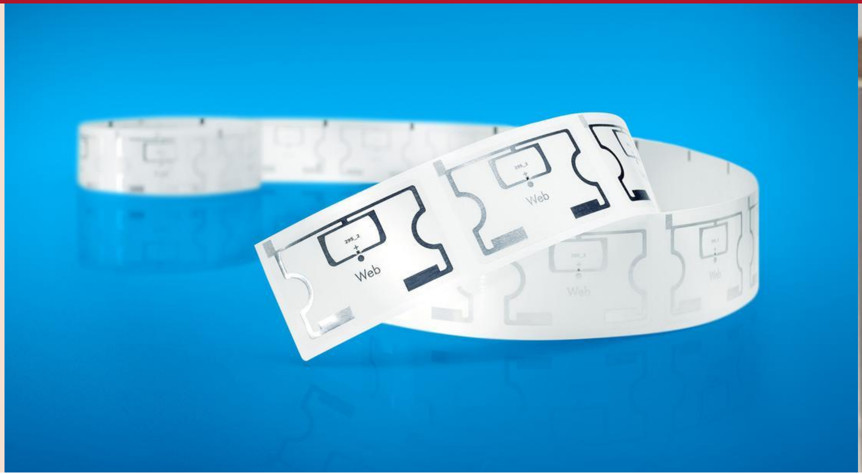
AVERY DENNISON

# Investor Presentation

May 2023


## 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. We believe that the most significant risk factors that could affect our financial performance in the near term include: (i) the impacts to underlying demand for our products from global economic conditions, political uncertainty, and changes in environmental standards and governmental regulations; (ii) the cost and availability of raw materials; (iii) competitors' actions, including pricing, expansion in key markets, and product offerings; (iv) the degree to which higher costs can be offset with productivity measures and/or passed on to customers through price increases, without a significant loss of volume; (v) foreign currency fluctuations; and (vi) the execution and integration of acquisitions.

Actual results and trends may differ materially from historical or anticipated results depending on a variety of factors, including but not limited to, risks and uncertainties related to the following:

- International Operations – worldwide and local economic and market conditions; changes in political conditions, including those related to China and those related to the Russian invasion of Ukraine; and fluctuations in foreign currency exchange rates and other risks associated with foreign operations, including in emerging markets
- Our Business – fluctuations in demand affecting sales to customers; fluctuations in the cost and availability of raw materials and energy; changes in our markets due to competitive conditions, technological developments, environmental standards, laws and regulations, and customer preferences; the impact of competitive products and pricing; execution and integration of acquisitions; selling prices; customer and supplier concentrations or consolidations; financial condition of distributors; outsourced manufacturers; product and service quality; timely development and market acceptance of new products, including sustainable or sustainably-sourced products; investment in development activities and new production facilities; successful implementation of new manufacturing technologies and installation of manufacturing equipment; our ability to generate sustained productivity improvement; our ability to achieve and sustain targeted cost reductions; collection of receivables from customers; and our environmental, social and governance practices
- Income Taxes – fluctuations in tax rates; changes in tax laws and regulations, and uncertainties associated with interpretations of such laws and regulations; retention of tax incentives; outcome of tax audits; and the realization of deferred tax assets
- Information Technology – disruptions in information technology systems or data security breaches, including cyber-attacks or other intrusions to network security; and successful installation of new or upgraded information technology systems
- Human Capital – recruitment and retention of employees and collective labor arrangements
- Our Indebtedness – credit risks; our ability to obtain adequate financing arrangements and maintain access to capital; fluctuations in interest rates; volatility of financial markets; and compliance with our debt covenants
- Ownership of Our Stock – potential significant variability of our stock price and amounts of future dividends and share repurchases
- Legal and Regulatory Matters – protection and infringement of intellectual property; impact of legal and regulatory proceedings, including with respect to environmental, anti-corruption, health and safety, and trade compliance
- Other Financial Matters – fluctuations in pension costs and goodwill impairment

For a more detailed discussion of these factors, see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2023 Form 10-K, filed with the Securities and Exchange Commission on February 22, 2023, and subsequent quarterly reports on Form 10-Q.

**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

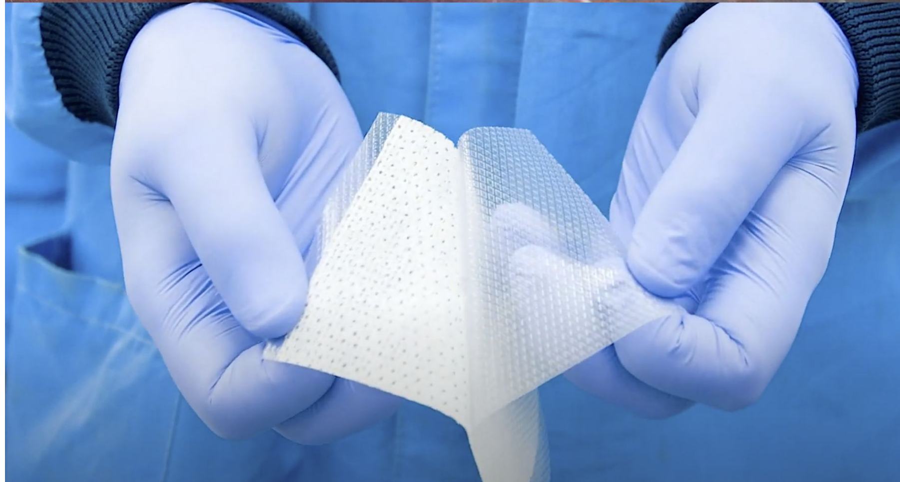
This presentation contains certain non-GAAP financial measures as defined by SEC rules. We report our financial results in conformity with accounting principles generally accepted in the United States of America, or GAAP, and also communicate with investors using certain non-GAAP financial measures. 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 the presentation of our financial results prepared in accordance with GAAP. Based on feedback from investors and financial analysts, we believe that the supplemental non-GAAP financial measures we provide are useful to their assessments of our performance and operating trends, as well as liquidity. In accordance with Regulations G and S-K, reconciliations of non-GAAP financial measures from the most directly comparable GAAP financial measures, including limitations associated with these non-GAAP financial measures, are provided in the appendix to this document and/or financial schedules accompanying the earnings news release for the quarter (see Attachments A-4 through A-8 to news release dated April 26, 2023).

OVERVIEW

# Creating superior long-term value

- **Consistent GDP+ growth with top-quartile returns**
- **#1 player in primary businesses, leveraging strong competitive advantages**
- **Large, growing and diverse end markets**
- **Successfully executing key strategies**
  - Drive outsized growth in high-value categories
  - Grow profitably in our base businesses
  - Focus relentlessly on productivity
  - Allocate capital effectively
  - Lead in an environmentally and socially responsible manner
- **Consistently delivering against our long-term objectives while continuing to raise the bar**







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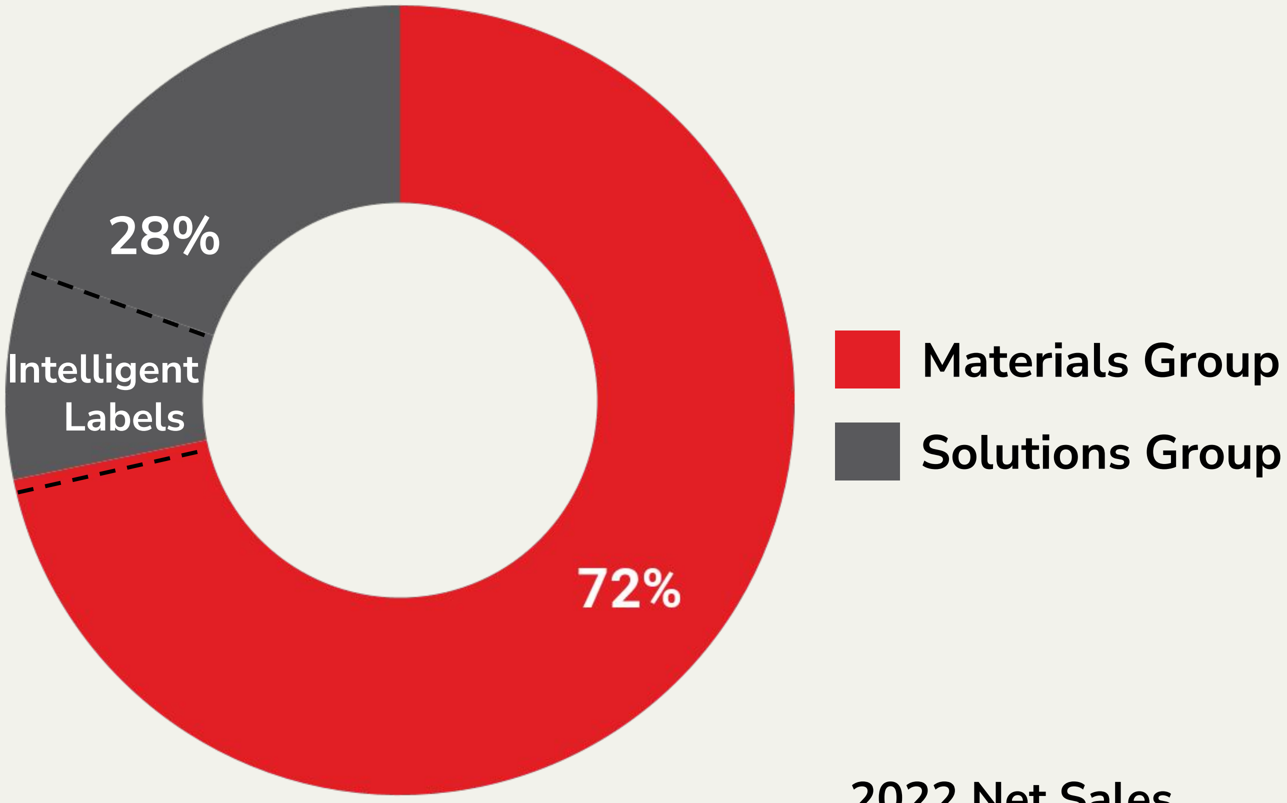
# Avery Dennison at a glance

- **Recognized industry leader**
  - ~36,000 employees
  - Operations in more than 50 countries
  - Global materials science and digital identification solutions company
  - Manufacturer of branding and information labeling solutions and functional materials for home and personal care, apparel, e-commerce, logistics, food and grocery, pharmaceuticals and automotive industries
- **Sustainable competitive advantages**
  - Global scale; ~200 operating locations
  - Innovative materials science capabilities; vertically integrated in adhesives
  - Innovative process technology
  - Operational and commercial excellence

## Sales by Segment

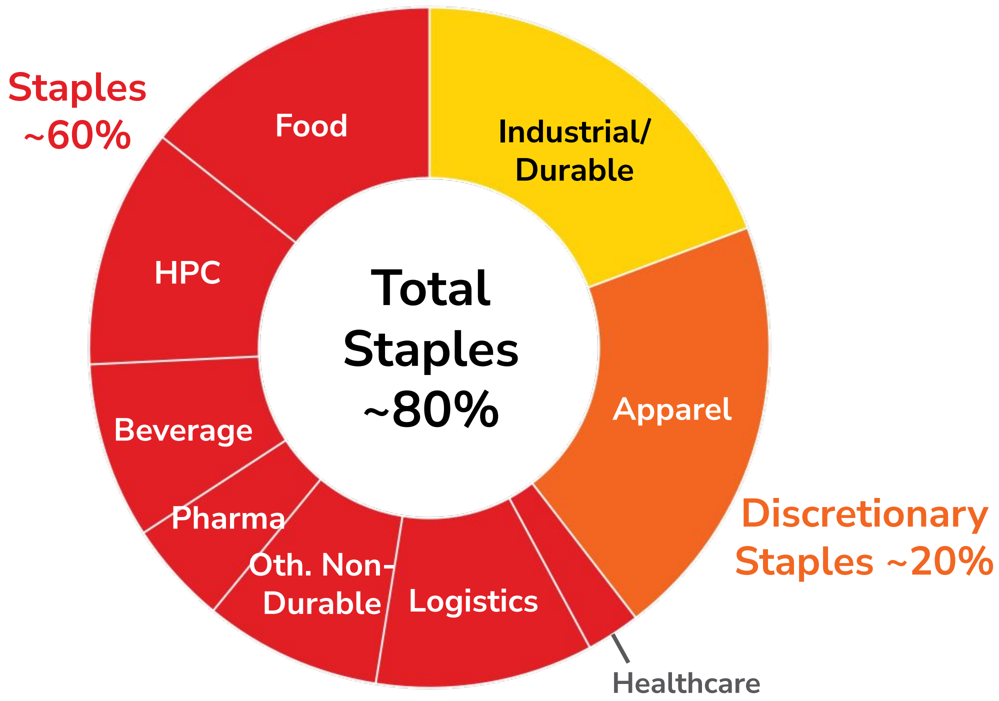



2022 Net Sales

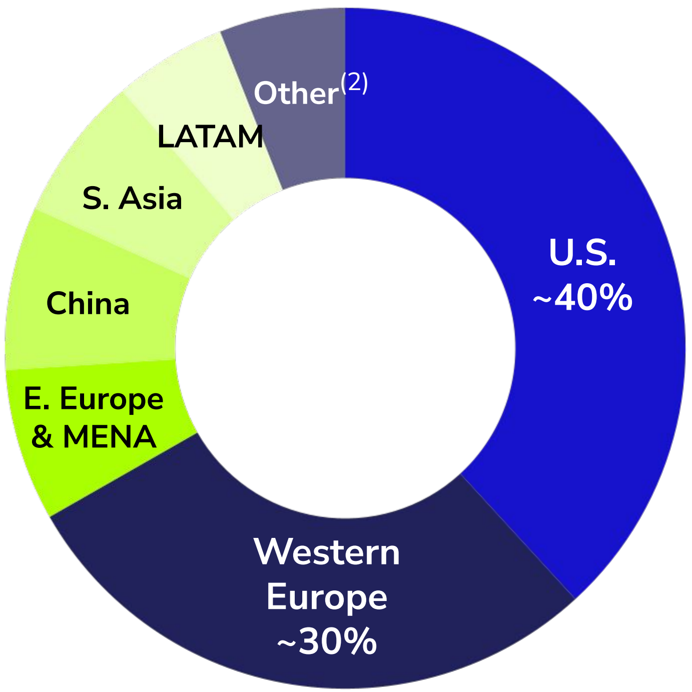
**$9.0 billion**

# Broad exposure to diverse end markets

## Sales by End Market Category[1]




## Sales by Geographic End Market[1]




(1) FY22 sales
(2) Includes Australia, Canada, Japan, New Zealand, and South Africa
Note: Ceased shipment of all products for the Russian market (~1% of total company revenue in 2021)

# Catalysts for consistent GDP+ top line growth

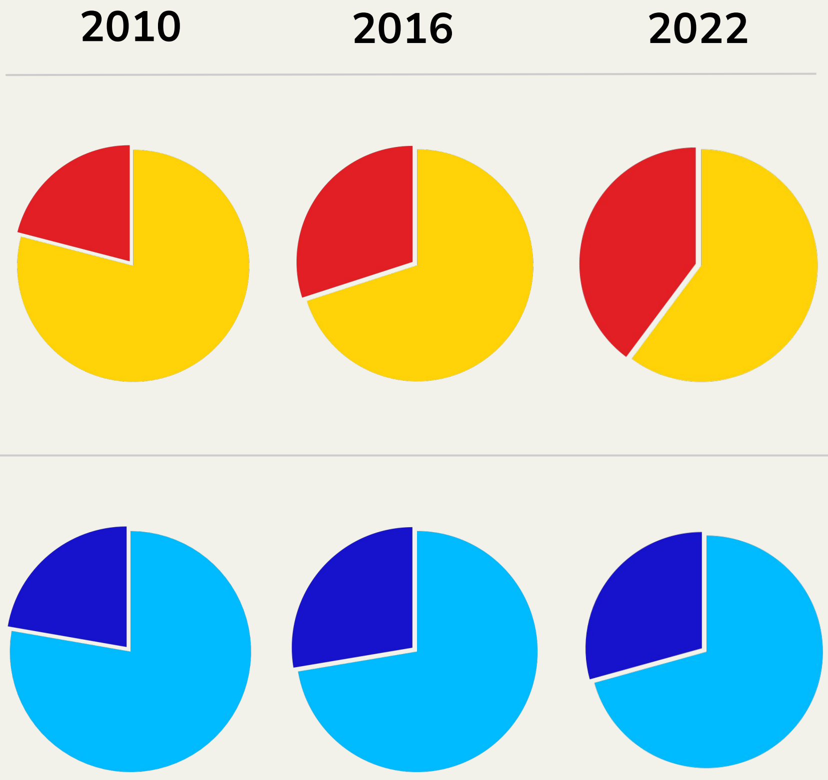
**High-value Categories ~$3.7B**

- Secular trends drive GDP+ growth
- Intelligent Labels, specialty labels, graphics, tapes, apparel embellishments

**Emerging Markets ~$2.6B(2)**

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

**Portfolio Shift** *(% of total sales(1))*




**~60% of total sales tied to one or both of these categories**

(1) Constant currency
(2) Approximately one-third of emerging market sales are in high-value categories, which are included in the ~$3.7B above.



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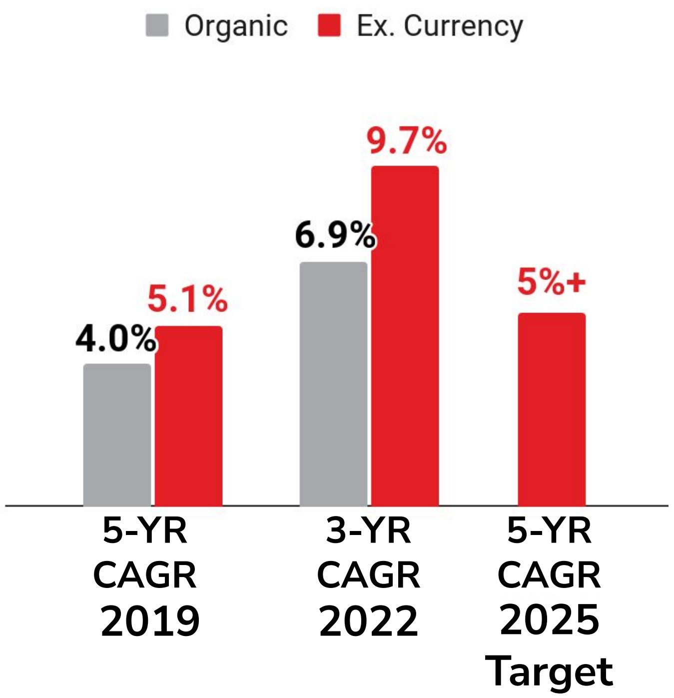
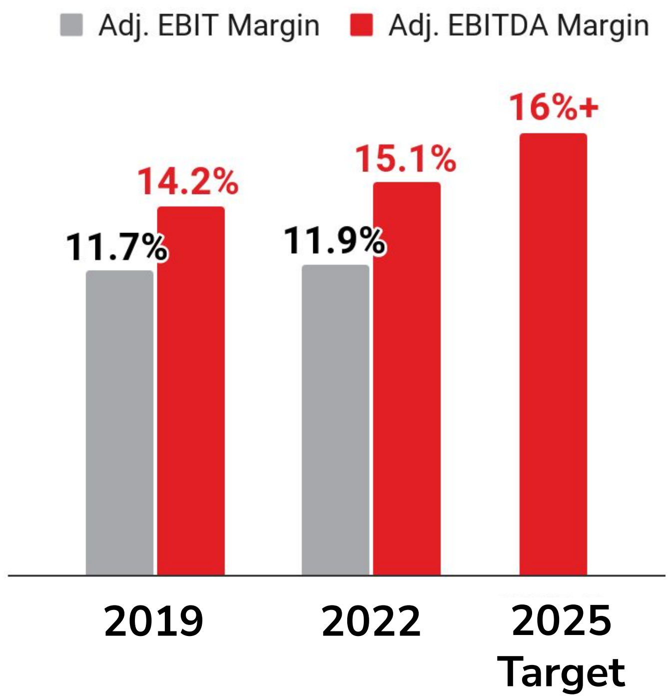
# GDP+ growth and top-quartile returns drive continued superior value creation

## Sales Growth

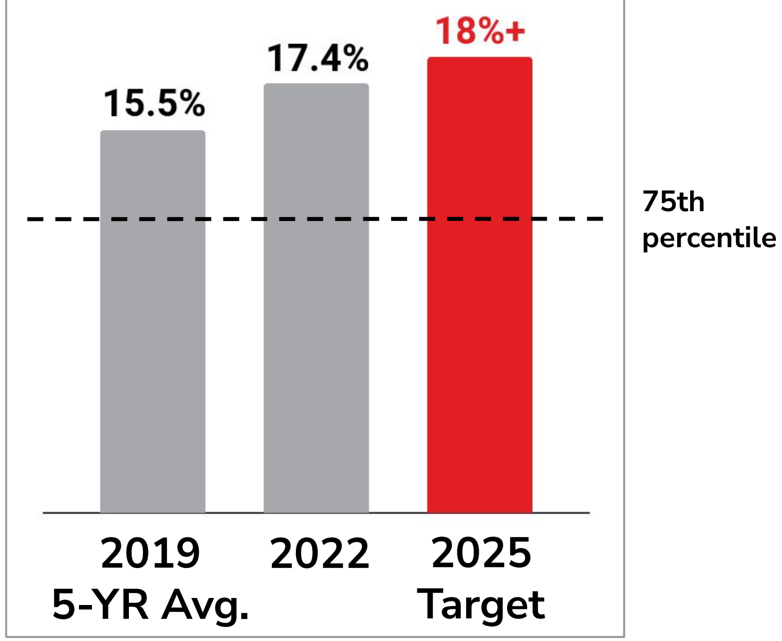



| | | | |
|---|---|---|---|
| Global GDP[(1)] | 3.0% | 1.9% | 3.4% |

## Profitability




## Return on Total Capital[(2)]




(1) Source: IHS Markit
(2) 75th percentile refers to peer group used to benchmark relative TSR (see p. 69 of 2023 Proxy Statement)



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# Delivering on objectives to drive GDP+ growth and top-quartile ROTC

| | 2021–2025 TARGETS | 2021-2022 RESULTS |
|---|---|---|
| Sales Growth Ex. Currency(1) | **5%+** | **15.8%** 2-YR CAGR |
| Adjusted EBITDA Growth(1)(2) | **6.5%** | **13%** 2-YR CAGR |
| Adjusted EBITDA Margin | **16%+** in 2025 | **15.1%** in 2022 |
| Adjusted EPS Growth(1) | **10%** | **13.5%** 2-YR CAGR |
| ROTC (Non-GAAP) | **18%+** | **17.4%** in 2022 |

(1) Percentages for targets reflect five-year compound annual growth rates, with 2020 as the base period. Percentages for results reflect two-year compound annual growth rates, with 2020 as the base period.
(2) Although adjusted EBITDA growth was not one of our original financial targets, it was implied by our sales growth ex. currency and adjusted EBITDA margin targets.
Note: 2021-2025 targets reflected a higher-than-average growth expectation early in the cycle due to an anticipated economic rebound



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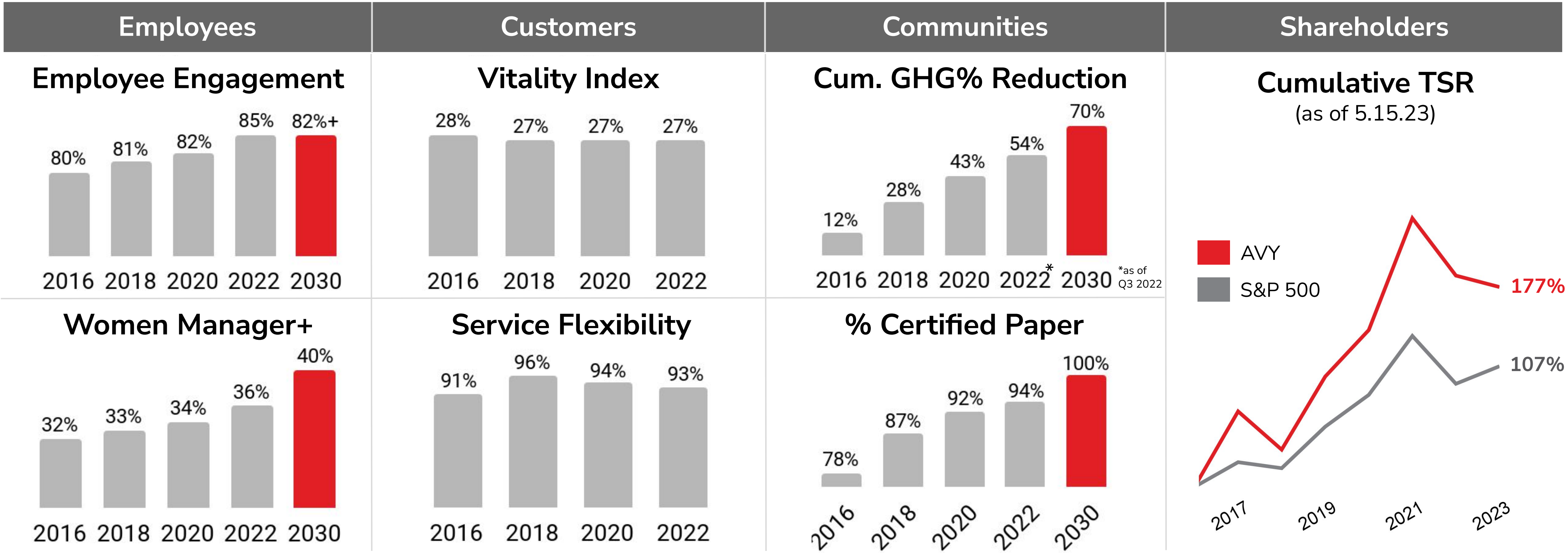
# ESG: Balanced scorecard measuring progress for key stakeholders




**Leading in an environmentally and socially responsible manner, with clear 2030 goals**

- Deliver innovations that advance the circular economy
- Reduce the environmental impact in our operations and supply chain
- Make a positive social impact by enhancing the livelihood of our people and communities

# Our Sustainability Goals

| 2030 Goals | 2030 Targets |
|---|---|
| Deliver innovations that advance the circular economy | Satisfy the recycling, composting or reuse requirements of all single-use consumer packaging and apparel with our products and solutions.<br><br>**Solutions Group:** 100% of core product categories will meet our third-party verified Sustainable ADvantage Standard<br><br>**Materials Group:** 100% of our standard label products will contain recycled or renewable content. All of our regions will have labels that enable circularity of plastics. |
| Reduce the environmental impact in our operations and supply chain | Reduce our emissions by **70%** and reduce Scope 3 emissions by **30%** by 2030–with an ambition of **net zero** by 2050.<br><br>Source **100%** of paper fiber from certified sources<br><br>Divert **95%** of our waste away from landfills, with a minimum of **80%** of our waste recycled<br><br>Deliver a **15%** increase in water efficiency at our sites that are located in high or extremely high risk countries |
| Make a positive social impact by enhancing the livelihood of our people and communities | Foster an engaged team and inclusive workplace by ensuring our employees represent the community in which they live and work. Metrics:<br><br>**85%** inclusion index, **82%+** employee engagement, **40%** women in manager level or above positions, safety **0.2** RIR<br><br>Support the participation of our employees in Avery Dennison Foundation grants and foster the well-being of the communities in which we and our supply chain operate. |

**To learn more, visit esg.averydennison.com**



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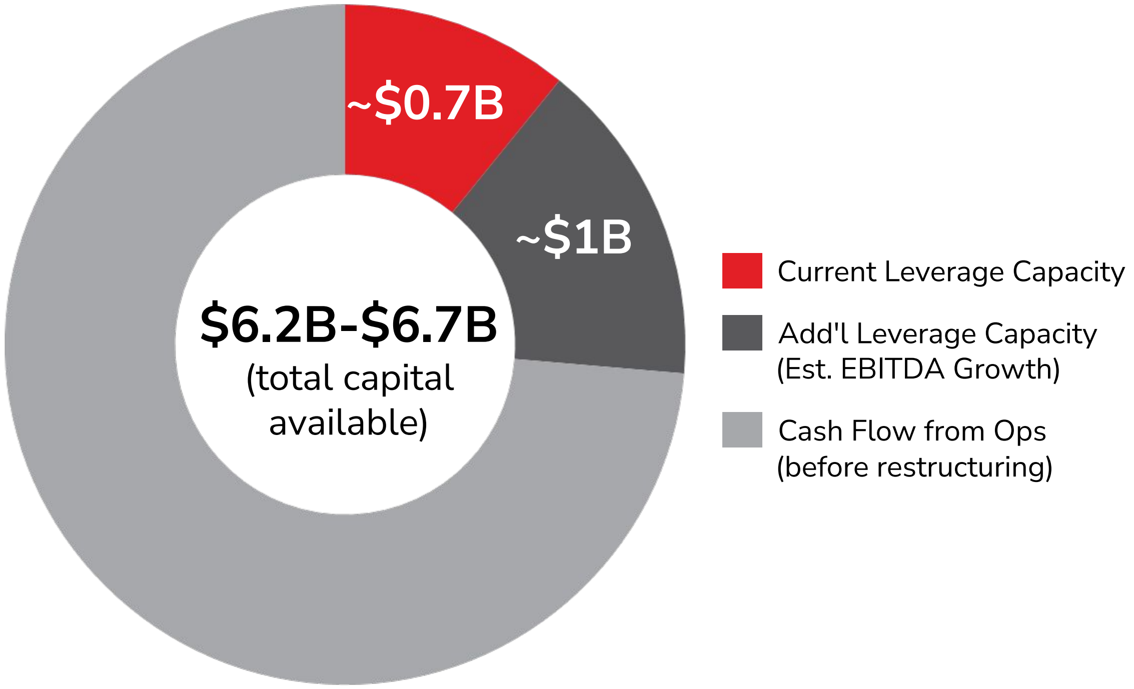
# Disciplined approach to capital allocation

## Capital Sources
(2021-2025 cumulative)




## Capital Uses
(% of total cap. avail.)

| | 2021-2025 Long-term | 2021-2022 Results |
|---|---|---|
| Capex/Restructuring | 25%-30% | 19% |
| Dividends | ~20% | 15% |
| Buyback/M&A | ~50% | 67% |

Note: Continuing to target 2.3x to 2.6x Net Debt to Adjusted EBITDA

# M&A and other forms of external partnership accelerate strategy

- Targeting high-value categories and near adjacencies
- Leveraging our global scale and core competencies
- Disciplined investment with clear financial criteria

# Segment Overview

# Our Businesses at a Glance

## Materials Group

**$6.5 bil.[1]**

(former LGM and IHM)

Pressure-sensitive materials

- Label materials (LPM)
- Graphic and reflective materials
- Functional materials (e.g., tapes[2])

## Solutions Group

**$2.5 bil.[1]**

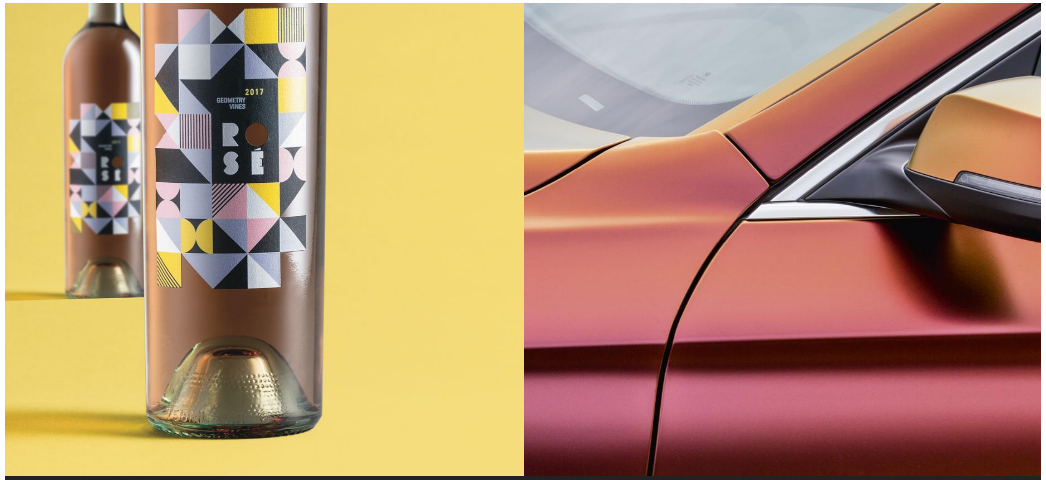
(former RBIS)

- RFID solutions
- Branded tag and embellishment solutions
- Data management and identification solutions
- Pricing and productivity solutions



(1) FY 2022 Net Sales
(2) Previously part of IHM
Former segment names: Label and Graphic Materials (LGM), Industrial and Healthcare Materials (IHM) and Retail Branding and Information Solutions (RBIS)

# Materials Group

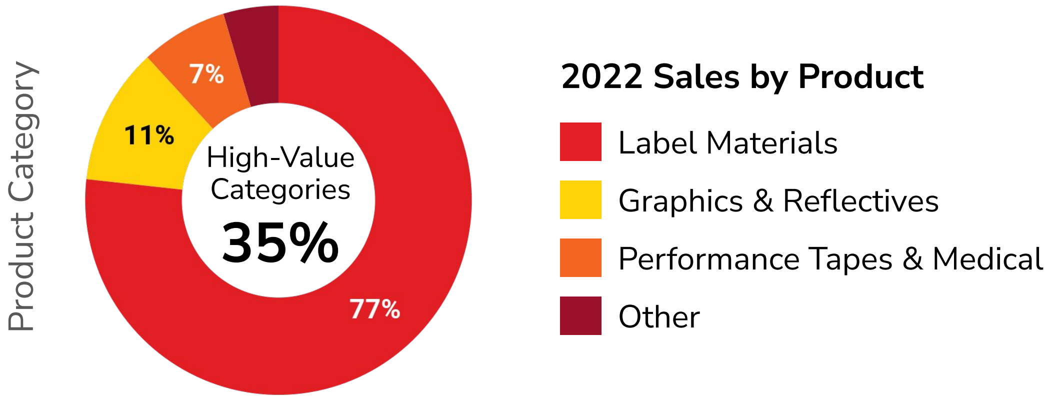


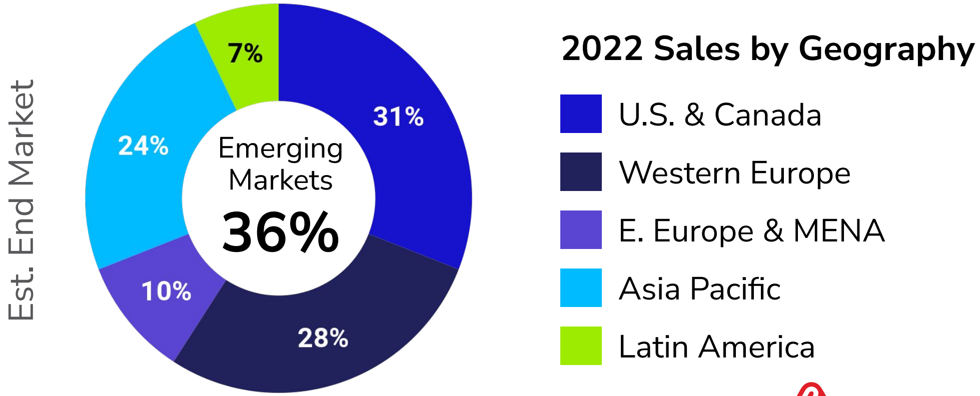

## 2022 Financial Snapshot

| | |
|---|---|
| Revenue | **$6.5 bil.** |
| Sales Change Ex. Currency 5-YR CAGR | **6.3%** |
| Adj. EBITDA Margin | **15.1%** |

## AVY 2022 Sales by Segment

| Materials Group | Solutions Group |
|---|---|
| 72% | 28% |



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# Materials Group delivers growth and high returns

**Leader in growing self-adhesive label industry**
(~2.5X next largest competitor)

**Clear and sustainable competitive advantages**

- Global scale, materials science and process technology
- Operational and commercial excellence
- Industry leading innovations enabling functionality and sustainability

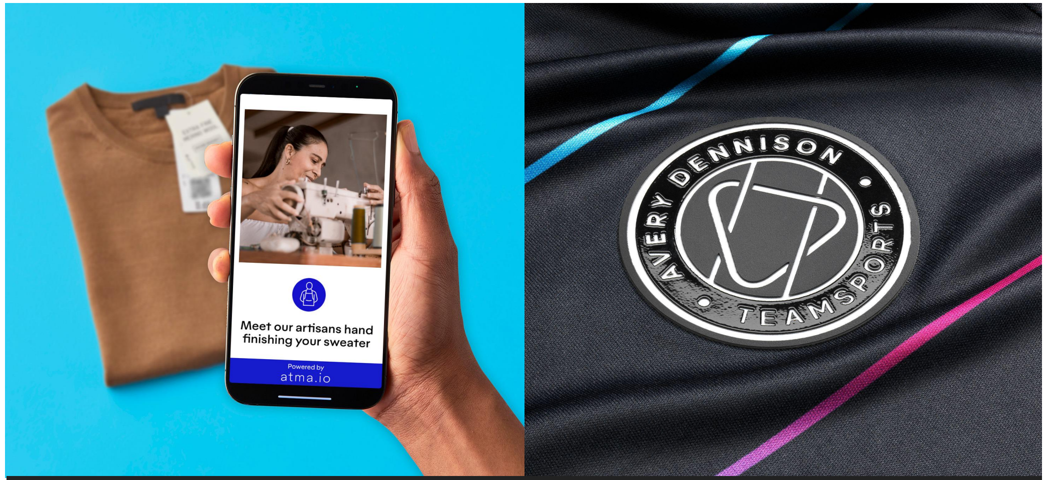
**Catalysts for growth above GDP and the industry**

- Increasing trends in premium packaging and e-commerce
- Leveraging strengths to win in high-value product categories
- Strong presence in emerging markets

**Disciplined approach to profitable growth in base business and relentless focus on productivity and capital efficiency**



# Solutions Group

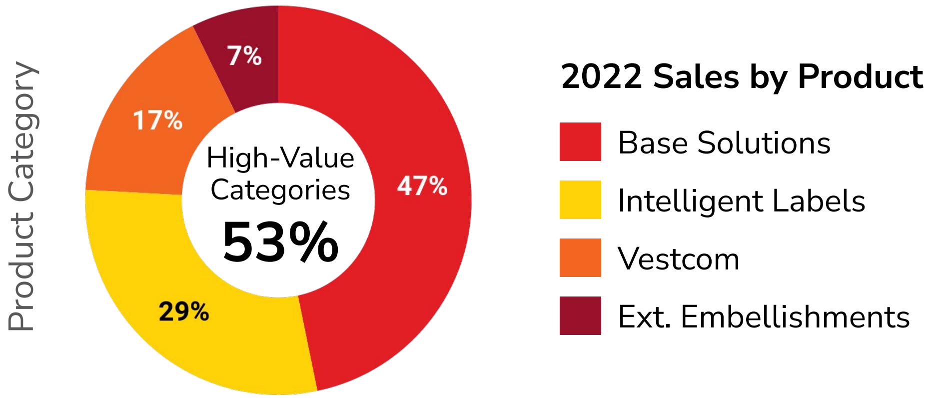


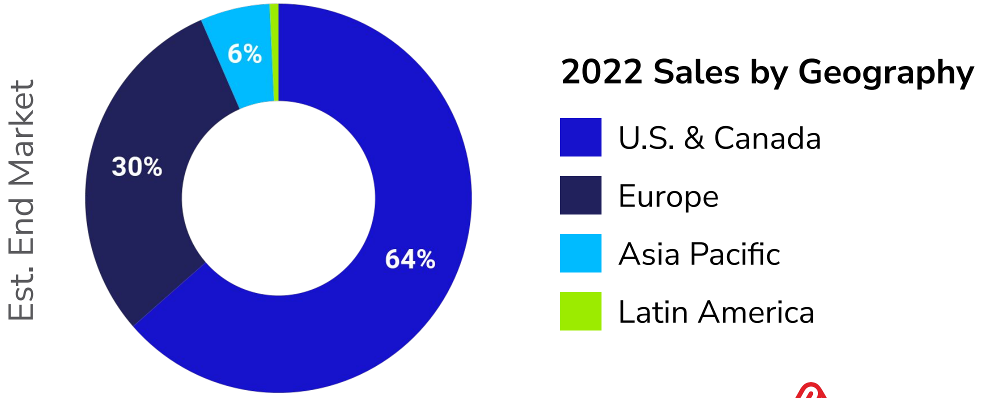

## 2022 Financial Snapshot

| | |
|---|---|
| Revenue | **$2.5 bil.** |
| Sales Change Ex. Currency 5-YR CAGR | **12.0%** |
| Adj. EBITDA Margin | **18.3%** |

**AVY 2022 Sales by Segment**

| Materials Group | **Solutions Group** |
|---|---|
| 72% | **28%** |



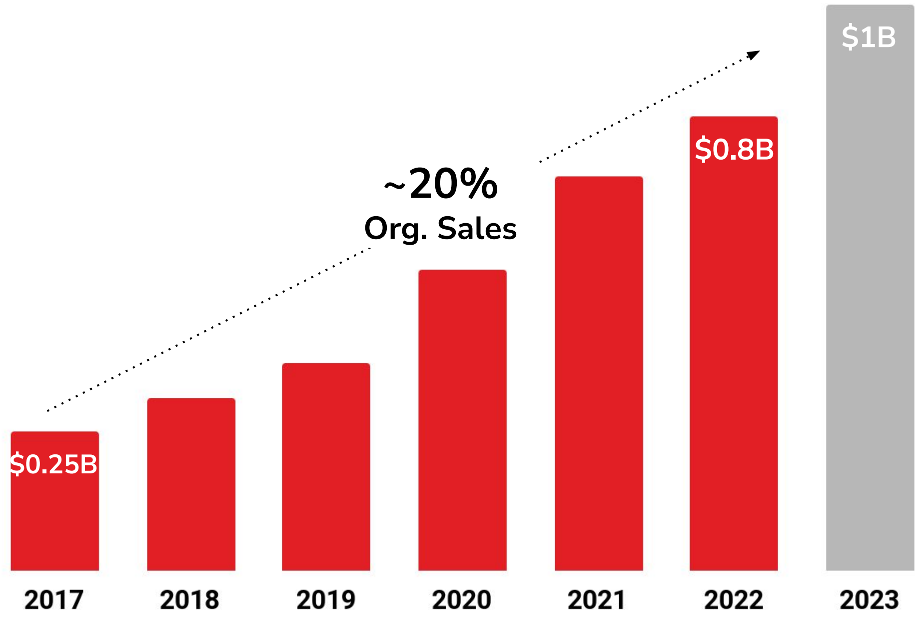
# Solutions Group is delivering on its promise

- Leading global player in branding and information solutions for apparel
- Clear and sustainable competitive advantages addressing industry trends
  - Innovation and solutions capability help lead customers through shift from physical to e-commerce/IoT/omni-channel future and visibility/transparency challenges
- Significant growth catalysts in Intelligent Labels (IL) platform and external embellishments (EE) solutions
- Business transformation positions base apparel for sustainable, profitable growth over the long term
- Leveraging customer access and identification and IL solutions to deliver success in food and logistics markets

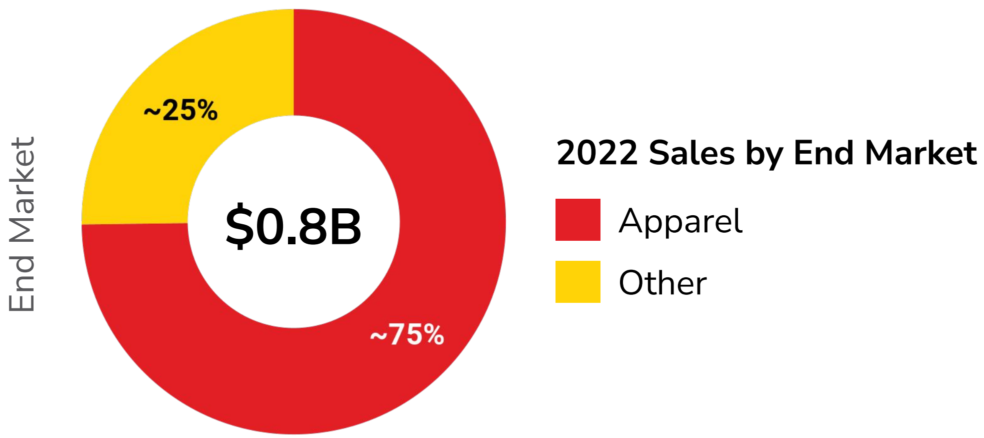


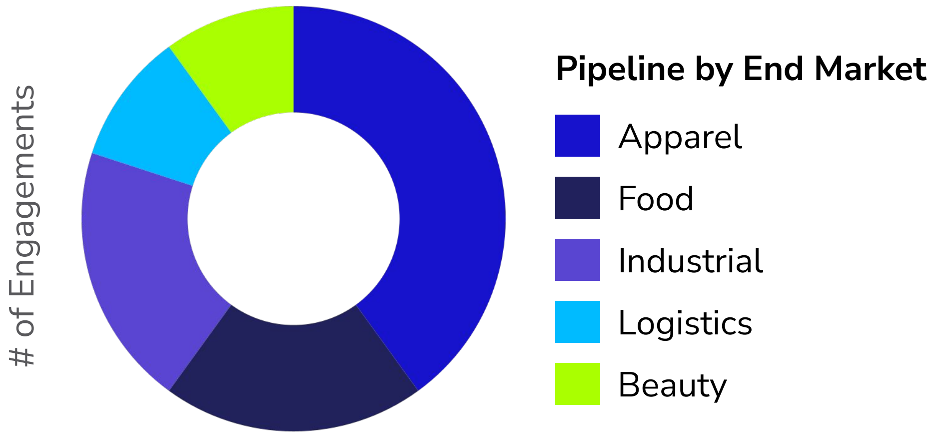
# Intelligent Labels

Intelligent labels leverage RFID technology to provide solutions that enable omnichannel retail, more efficient supply chains, enhanced consumer experience and less waste.

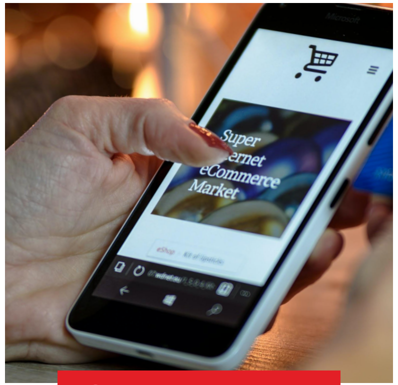



- Industry-leading position; 50%+ UHF RFID share
- Targeting 20%+ organic growth in coming years
- Clear innovation leader
- Investing in capacity and market development



# Intelligent Labels drive improved efficiencies and increased inventory visibility, enabling higher sales, reduced waste and fewer markdowns



Omnichannel

New delivery models

Consumer experience

Customer safety

Sustainability

Speed & automation

Supply chain transparency

Touchless retail

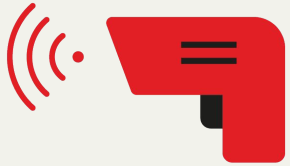
Brand protection & authentication

Waste reduction

# RFID technology — key capabilities

**Fast, accurate automated data capture**

Up to 1000 items/sec

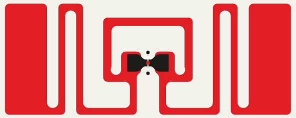


**No line of sight requirement**

30 ft read-range

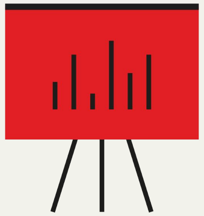
**Connecting the physical and digital**

Item level serialization/ identification



**No maintenance**

Battery-free



**Low cost**

Tens of billions of items already tagged to-date



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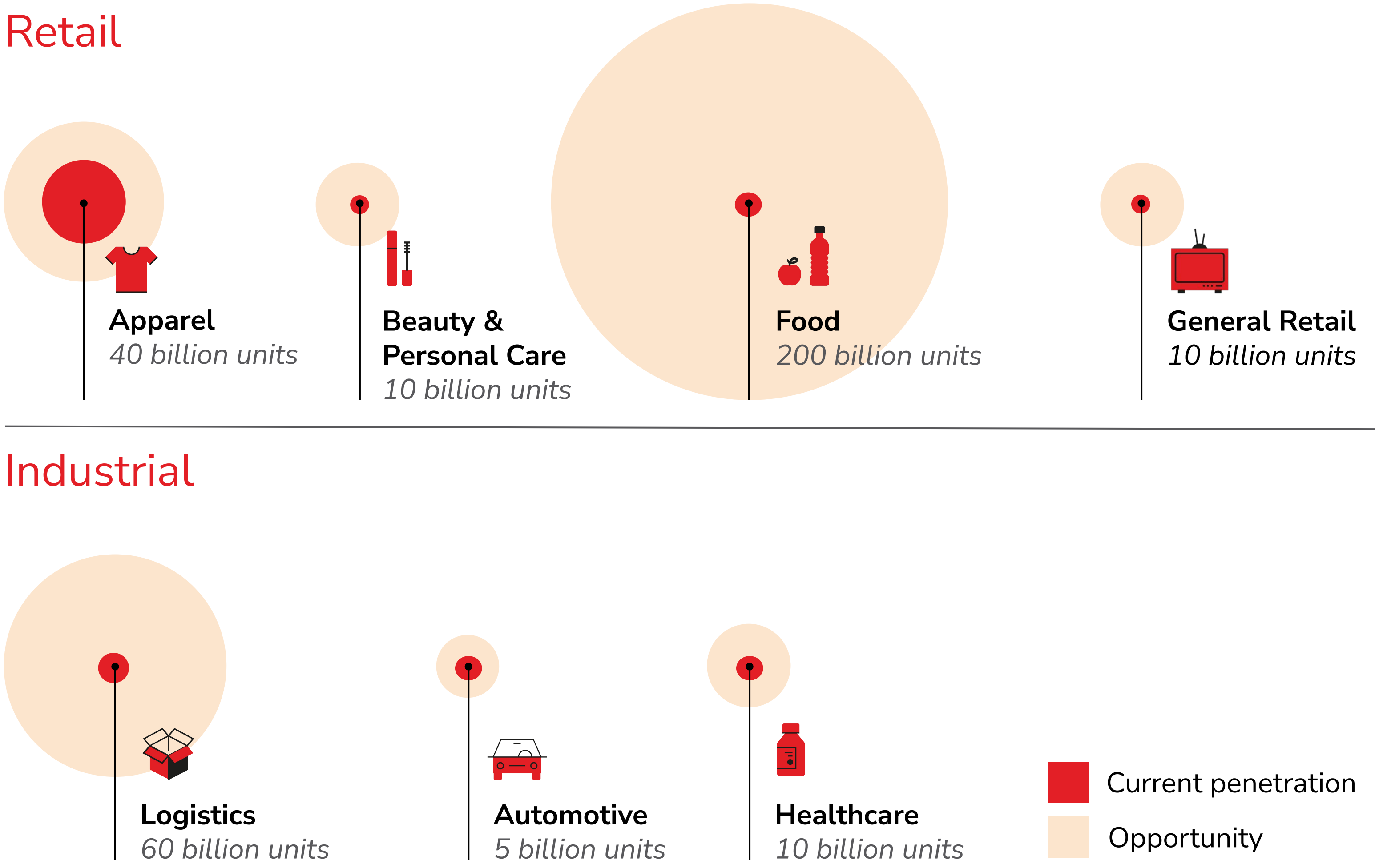
# Use case in key segments: solving critical business needs

| | | Apparel | Beauty | Food | General Retail | Logistics | Auto | Pharma/ Healthcare |
|---|---|---|---|---|---|---|---|---|
| Characteristics | SKU complexity | ✓ | ✓ | ✓ | ✓ | | ✓ | |
| | Product density | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |
| | Omnichannel growth | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Perishability/shrink | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| | Labor cost/constraints | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Key Benefits | Increased sales | ✓ | ✓ | ✓ | ✓ | | | |
| | Fewer markdowns/chargebacks | ✓ | | ✓ | | ✓ | ✓ | |
| | Higher velocity | | | | | ✓ | ✓ | |
| | Reduced waste/shrink | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| | Higher labor efficiency | | ✓ | ✓ | ✓ | ✓ | | ✓ |
| | Increased SC traceability & security | | ✓ | ✓ | | | ✓ | ✓ |

# Large, untapped addressable opportunities




- Largest penetration in Apparel, with more than ⅓ of addressable opportunity
- Significant opportunity in adjacent retail segments
- Leverages existing customer relationships

- Historically fragmented segments
- Opportunity to build on both Solutions Group commercial footprint and legacy Smartrac customer and ecosystem relationships

# UHF RFID ecosystem

| Chips | Base materials | Inlays | Media conversion | Service bureau | Printers | Readers / infra. | Software / SaaS | Services / solutions |
|---|---|---|---|---|---|---|---|---|
| Chip suppliers | Base materials | Inlay mfg. | Service bureau | | Printer mfg | | Digital ID platform | |
| | | | Other converters and service bureaus | | Hardware providers | | Solution providers | |

Venture Investments

PragmatIC

Wiliot

Avery Dennison capabilities

3rd party supplier and partner capabilities



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# Our competitive advantage — uniquely positioned to win

| | | | | | |
|---|---|---|---|---|---|
| **Innovation** | Broadest RF product portfolio with unparalleled materials science expertise | Largest IP portfolio with 1500+ patents and applications worldwide | Open innovation: Investments in new tech<br>Wiliot PragmatIC | Most experienced R&D team in the industry | Digital ID platform to accelerate the physical/digital convergence |
| **Scale** | Largest global player with 50%+ UHF share | Broadest manufacturing network with 90B+ inlays produced to date | Highest throughput proprietary manufacturing processes | Most sustainable manufacturing technologies | Vertically integrated capabilities for end-to-end efficiencies |
| **Go-to-market** | Proven market adoption process | Deep segment expertise | Strong partner ecosystem | Unparalleled global customer and channel reach | Leading brand in the industry |



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# Appendix A

Q1 2023 Overview and 2023 EPS Guidance
(as of April 26, 2023)

Supplemental Sales Information

# Q1 EPS as expected; Q2 outlook lowered; expect H2 EPS run rate >$10

**First Quarter EPS and adj. free cash flow as expected, despite inventory destocking in labels and apparel**

- Reported EPS of $1.49; adj. EPS (non-GAAP) of $1.70, down 29%
- Net sales of $2.1 bil., down 9% ex. currency (non-GAAP) and organically (non-GAAP)
- Reported operating income of $190 mil.
    - Adj. EBITDA (non-GAAP) of $280 mil., down 22%
    - Sequentially, adj. EBITDA up 7%
- YTD adj. free cash flow (non-GAAP) of ($71) mil.

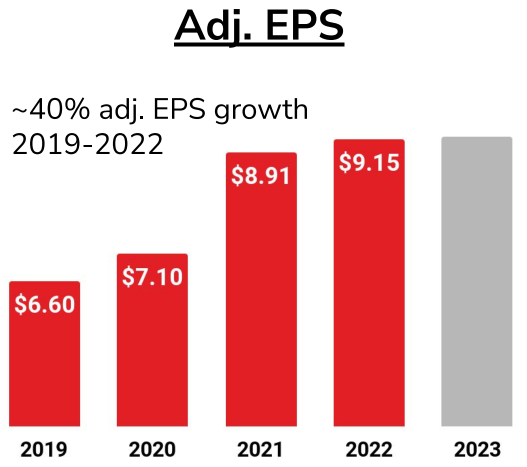
**Sequential improvement expected in Q2; lower than previous outlook due to continued destocking**

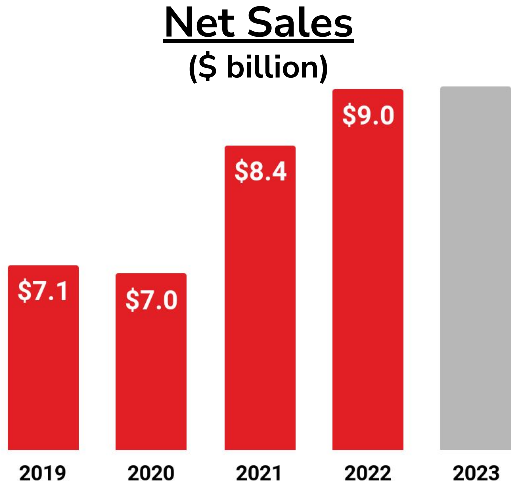
**Expect to deliver strong second half with >$10 EPS run-rate**

- Anticipate destocking to be largely complete mid-year
- Confident in $1B IL platform in 2023; new programs accelerating
- Cost-saving initiatives to ramp throughout the year

**FY adj. EPS guidance range of $8.85 to $9.20** (as of April 26, 2023)

- Revised due to lower Q2 outlook
- Targeting ~100% adj. free cash flow conversion (non-GAAP)




# 2023 EPS Guidance (as of April 26, 2023)

| | Previous | Updated |
|---|---|---|
| **Reported EPS** | **$8.85 – $9.25** | **$8.35 – $8.70** |
| Add back: est. restructuring costs and other items | **~$0.30** | **~$0.50** |
| **Adjusted EPS (non-GAAP)** | **$9.15 – $9.55** | **$8.85 – $9.20** |

## Contributing Factors

- Reported sales of -2% to 0%
  - Negligible impact from currency (previously ~1% headwind)
  - Organic sales change of -2% to 0% (previously 1% to 5%)
- CY savings of ~$50 mil. from restructuring actions, net (previously ~$45 mil.)
- Continuing to invest in key strategic platforms, particularly Intelligent Labels
  - Incremental opex investment of ~$25 mil.
  - Fixed and IT capital spend of ~$350 mil.
  - $0.25 headwind from non-operational items (tax, currency, interest, share count)
- Sequential improvement expected in Q2; lower than prev. outlook (continued destocking)
- Expect to deliver strong second half with >$10 EPS run-rate



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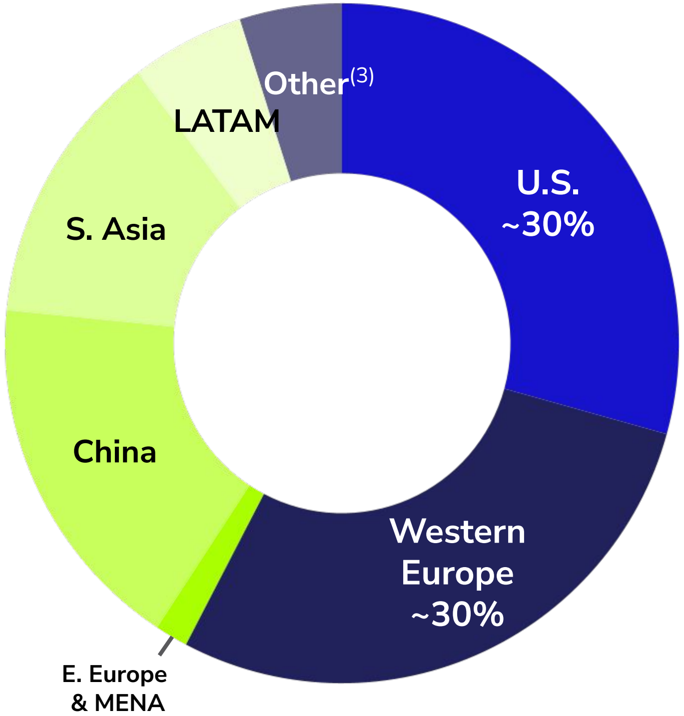
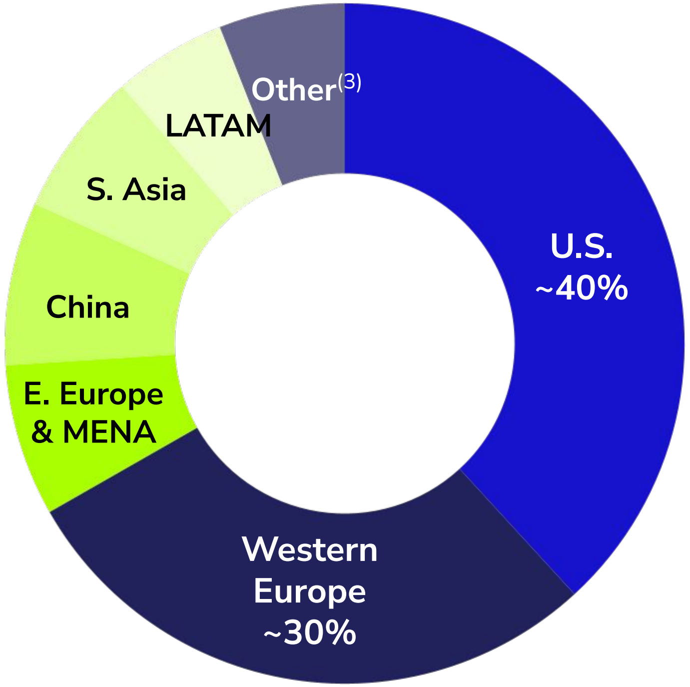
# Sales by Geography: diversified geographic exposure

## Sales by Manufacturing Location(1)




## Sales by End Market(1)(2)




(1) FY22 sales
(2) Estimated sales by end market
(3) Includes Australia, Canada, Japan, New Zealand, and South Africa
Note: Avery Dennison has ceased shipment of all products for the Russian market (~1% of total company revenue in 2021)

# Appendix B

Reconciliation of Non-GAAP Financial Measures from GAAP

# Use of Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures as defined by SEC rules. We report our 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 the presentation of our financial results prepared in accordance with GAAP. Based on feedback from investors and financial analysts, we believe that the supplemental non-GAAP financial measures we provide are useful to their assessments of our performance and operating trends, as well as liquidity.

Our non-GAAP financial measures exclude the impact of certain events, activities or strategic decisions. The accounting effects of these events, activities or decisions, which are included in the GAAP financial measures, may make it more difficult to assess our underlying performance in a single period. By excluding the accounting effects, positive or negative, of certain items (e.g., restructuring charges, outcomes of certain legal proceedings, certain effects of strategic transactions and related costs, losses from debt extinguishments, gains or losses from curtailment or settlement of pension obligations, gains or losses on sales of certain assets, gains or losses on venture investments and other items), we believe that we are providing meaningful supplemental information that facilitates an understanding of our core operating results and liquidity measures. While some of the items we exclude from GAAP financial measures recur, they tend to be disparate in amount, frequency or timing.

We use these non-GAAP financial measures internally to evaluate trends in our underlying performance, as well as to facilitate comparison to the results of competitors for quarters and year-to-date periods, as applicable.
We use the non-GAAP financial measures described below in this presentation.

- **Sales change ex. currency** refers to the increase or decrease in net sales, excluding the estimated impact of foreign currency translation and the reclassification of sales between segments, and, where applicable, an extra week in our fiscal year and the calendar shift resulting from the extra week in the prior fiscal year, and currency adjustment for transitional reporting of highly inflationary economies. The estimated impact of foreign currency translation is calculated on a constant currency basis, with prior period results translated at current period average exchange rates to exclude the effect of currency fluctuations.
- **Organic sales change** refers to sales change ex. currency, excluding the estimated impact of acquisitions and product line divestitures.

We believe that sales change ex. currency and organic sales change assist investors in evaluating the sales change from the ongoing activities of our businesses and enhance their ability to evaluate our results from period to period.

We believe that the following measures assist investors in understanding our core operating trends and comparing our results with those of our competitors.
- **Adjusted operating income** refers to net income adjusted for taxes; equity method investment losses; other expense (income), net; interest expense and other non-operating expense (income), net.
- **Adjusted EBITDA** refers to adjusted operating income before depreciation and amortization.
- **Adjusted operating margin** refers to adjusted operating income as a percentage of net sales.
- **Adjusted EBITDA margin** refers to adjusted EBITDA as a percentage of net sales.
- **Adjusted tax rate** refers to the projected full-year GAAP tax rate, adjusted to exclude certain unusual or infrequent events that are expected to significantly impact that rate, such as effects of certain discrete tax planning actions, impacts related to enactments of comprehensive tax law changes, and other items.
- **Adjusted net income** refers to income before taxes, tax-effected at the adjusted tax rate, and adjusted for tax-effected restructuring charges and other items.
- **Adjusted net income per common share, assuming dilution (adjusted EPS)** refers to adjusted net income divided by the weighted average number of common shares outstanding, assuming dilution.

- **Net debt to adjusted EBITDA ratio** refers to total debt (including finance leases) less cash and cash equivalents, divided by adjusted EBITDA for the last twelve months. We believe that the net debt to adjusted EBITDA ratio assists investors in assessing our leverage position.
- **Return on total capital (ROTC)** refers to net income excluding interest expense and amortization of intangible assets from acquisitions, net of tax benefit, divided by the average of beginning and ending invested capital. We believe that ROTC assists investors in understanding our ability to generate returns from our capital.
- **Adjusted free cash flow (Adjusted FCF)** refers to cash flow provided by operating activities, less payments for property, plant and equipment, software and other deferred charges, plus proceeds from sales of property, plant and equipment, plus (minus) net proceeds from insurance and sales (purchases) of investments. Adjusted free cash flow is also adjusted for, where applicable, certain acquisition-related transaction costs. We believe that adjusted free cash flow assists investors by showing the amount of cash we have available for debt reductions, dividends, share repurchases, and acquisitions.
- **Adjusted free cash flow conversion** refers to adjusted free cash flow divided by net income.

# Sales Change Ex. Currency and Organic Sales Change – Avery Dennison

| ($ in millions) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 3 mo. '23 | 2015-2019 5-Yr CAGR | 2018-2022 5-Yr CAGR | 2020-2022 3-Yr CAGR | 2021-2022 2-Yr CAGR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | $5,966.9 | $6,086.5 | $6,613.8 | $7,159.0 | $7,070.1 | $6,971.5 | $8,408.3 | $9,039.3 | $2,065.0 | | | | |
| Reported net sales change | (5.7%) | 2.0% | 8.7% | 8.2% | (1.2%) | (1.4%) | 20.6% | 7.5% | (12.1%) | | | | |
| Foreign currency translation | 8.6% | 2.6% | (0.5%) | (1.4%) | 3.3% | 0.9% | (3.4%) | 5.6% | 3.1% | | | | |
| Extra week impact | ~1.2% | | | | | (1.3%) | 1.4% | | | | | | |
| Sales change ex. currency[1] | 4.0% | 4.6% | 8.2% | 6.9% | 2.0% | (1.7%) | 18.6% | 13.1% | (9.1%) | 5.1% | 7.5% | 9.7% | 15.8% |
| Acquisitions/Divestitures | 0.6% | (0.7%) | (3.9%) | (1.4%) | | (1.7%) | (3.1%) | (3.6%) | (0.2%) | | | | |
| Organic sales change[1] | 4.6% | 3.9% | 4.2% | 5.5% | 2.0% | (3.4%) | 15.6% | 9.5% | (9.2%) | 4.0% | 5.6% | 6.9% | 12.5% |

(1) Totals may not sum due to rounding

# Sales Change Ex. Currency and Organic Sales Change by Segment

| ($ in millions) Materials Group | 2018 | 2019 | 2020 | 2021 | 2022 | 3 mo. '23 | 2018-2022 5-Yr CAGR |
|---|---|---|---|---|---|---|---|
| Net sales | $5,545.8 | $5,419.8 | $5,340.6 | $6,206.5 | $6,495.1 | $1,460.5 | |
| Reported net sales change | 8.7% | (2.3%) | (1.5%) | 16.2% | 4.6% | (12.6%) | |
| Reclassification of sales between segments | | (0.2%) | | | 0.3% | 0.2% | |
| Foreign currency translation | (1.3%) | 3.8% | 1.0% | (3.6%) | 6.0% | 3.0% | |
| Extra week impact | | | (1.1%) | 1.3% | | | |
| Sales change ex. currency[1] | 7.4% | 1.4% | (1.6%) | 13.9% | 11.0% | (9.3%) | 6.3% |
| Acquisitions/Divestitures | (1.8%) | | | (1.1%) | 0.2% | | |
| Organic sales change[1] | 5.6% | 1.4% | (1.6%) | 12.8% | 11.2% | (9.3%) | 5.7% |

| ($ in millions) Solutions Group | 2018 | 2019 | 2020 | 2021 | 2022 | 3 mo. '23 | 2018-2022 5-Yr CAGR |
|---|---|---|---|---|---|---|---|
| Net sales | $1,613.2 | $1,650.3 | $1,630.9 | $2,201.8 | $2,544.2 | $ 604.5 | |
| Reported net sales change | 6.7% | 2.3% | (1.2%) | 35.0% | 15.6% | (11.0%) | |
| Reclassification of sales between segments | | 0.6% | | | (0.7%) | (0.4%) | |
| Foreign currency translation | 0.2% | 2.2% | 0.6% | (2.2%) | 4.2% | 3.1% | |
| Extra week impact | | | (1.7%) | 2.1% | | | |
| Sales change ex. currency[1] | 6.9% | 5.1% | (2.3%) | 34.9% | 19.1% | (8.3%) | 12.0% |
| Acquisitions/Divestitures | | | (7.2%) | (9.7%) | (14.1%) | (0.6%) | |
| Organic sales change[1] | 6.9% | 5.1% | (9.5%) | 25.2% | 5.0% | (8.9%) | 6.0% |

(1) Totals may not sum due to rounding



AVERY DENNISON

# Adjusted Operating Margin and EBITDA – Avery Dennison

| ($ in millions) | 2018 | 2019 | 2020 | 2021 | 2022 | 3 mo. '23 | 2021-2022 2-Yr CAGR |
|---|---|---|---|---|---|---|---|
| Net sales | $ 7,159.0 | $ 7,070.1 | $ 6,971.5 | $ 8,408.3 | $ 9,039.3 | $ 2,065.0 | |
| **Reconciliation of adjusted EBITDA from GAAP:** | | | | | | | |
| As reported net income | $ 467.4 | $ 303.6 | $ 555.9 | $ 740.1 | $ 757.1 | $ 121.2 | |
| Interest expense | 58.5 | 75.8 | 70.0 | 70.2 | 84.1 | 26.4 | |
| Other non-operating expense (income), net | 104.8 | 445.2 | 1.9 | (4.1) | (9.4) | (4.6) | |
| Provision for income taxes | 85.4 | (56.7) | 177.7 | 248.6 | 242.2 | 47.1 | |
| Equity method investment losses | 2.0 | 2.6 | 3.7 | 3.9 | --- | --- | |
| Operating income before interest expense, other non-operating expense (income), taxes, and equity method investment losses, as reported | $ 718.1 | $ 770.5 | $ 809.2 | $ 1,058.7 | $ 1,074.0 | $ 190.1 | |
| **Operating margins, as reported** | **10.0%** | **10.9%** | **11.6%** | **12.6%** | **11.9%** | **9.2%** | |
| **Non-GAAP adjustments:** | | | | | | | |
| Restructuring charges: | | | | | | | |
| Severance and related costs | 63.0 | 45.3 | 49.1 | 10.5 | 7.6 | 17.1 | |
| Asset impairment and lease cancellation charges | 10.7 | 5.1 | 6.2 | 3.1 | 0.1 | 0.5 | |
| Other items | (3.8) | 2.8 | (1.7) | (8.0) | (8.3) | 0.2 | |
| Adjusted operating income (non-GAAP) | $ 788.0 | $ 823.7 | $ 862.8 | $ 1,064.3 | $ 1,073.4 | $ 207.9 | |
| **Adjusted operating margins (non-GAAP)** | **11.0%** | **11.7%** | **12.4%** | **12.7%** | **11.9%** | **10.1%** | |
| Depreciation and amortization | $ 181.0 | $ 179.0 | $ 205.3 | $ 244.1 | $ 290.7 | $ 72.3 | |
| Adjusted EBITDA (non-GAAP) | $ 969.0 | $ 1,002.7 | $ 1,068.1 | $ 1,308.4 | $ 1,364.1 | $ 280.2 | **13.0%** |
| **Adjusted EBITDA margins (non-GAAP)** | **13.5%** | **14.2%** | **15.3%** | **15.6%** | **15.1%** | **13.6%** | |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# Adjusted Operating Margin and EBITDA – Materials Group

| ($ in millions) | 2018 | 2019 | 2020 | 2021 | 2022 | 3 mo. '23 |
|---|---|---|---|---|---|---|
| Net sales | $5,545.8 | $5,419.8 | $5,340.6 | $6,206.5 | $6,495.1 | $1,460.5 |
| Operating income before interest expense, other non-operating expense (income), and taxes, as reported | $ 631.1 | $ 661.5 | $ 747.0 | $ 883.3 | $ 859.3 | $ 160.5 |
| **Operating margins, as reported** | **11.4%** | **12.2%** | **14.0%** | **14.2%** | **13.2%** | **11.0%** |
| **Non-GAAP adjustments:** | | | | | | |
| Restructuring charges: | | | | | | |
| Severance and related costs | $ 54.2 | $ 33.8 | $ 31.7 | $ 2.8 | $ (1.0) | $ 14.3 |
| Asset impairment and lease cancellation charges | $ 7.6 | $ 4.6 | $ 4.6 | $ 2.2 | $ - | $ - |
| Other items | $ (1.0) | $ (0.7) | $ (5.7) | $ (30.7) | $ (12.4) | $ - |
| Adjusted operating income (non-GAAP) | $ 691.9 | $ 699.2 | $ 777.6 | $ 857.6 | $ 845.9 | $ 174.8 |
| **Adjusted operating margins (non-GAAP)** | **12.5%** | **12.9%** | **14.6%** | **13.8%** | **13.0%** | **12.0%** |
| Depreciation & Amortization | $ 132.0 | $ 126.4 | $ 133.7 | $ 141.9 | $ 135.8 | $ 32.7 |
| Adjusted EBITDA (non-GAAP) | $ 823.9 | $ 825.6 | $ 911.3 | $ 999.5 | $ 981.7 | $ 207.5 |
| **Adjusted EBITDA margins (non-GAAP)** | **14.9%** | **15.2%** | **17.1%** | **16.1%** | **15.1%** | **14.2%** |


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# Adjusted Operating Margin and EBITDA – Solutions Group

| ($ in millions) | 2018 | 2019 | 2020 | 2021 | 2022 | 3 mo. '23 |
|---|---|---|---|---|---|---|
| Net sales | $1,613.2 | $1,650.3 | $1,630.9 | $2,201.8 | $2,544.2 | $ 604.5 |
| Operating income before interest expense, other non-operating expense (income), and taxes, as reported | $ 170.4 | $ 196.6 | $ 144.7 | $ 257.2 | $ 302.3 | $ 51.5 |
| **Operating margins, as reported** | **10.6%** | **11.9%** | **8.9%** | **11.7%** | **11.9%** | **8.5%** |
| **Non-GAAP adjustments:** | | | | | | |
| Restructuring charges: | | | | | | |
| Severance and related costs | $ 8.8 | $ 9.3 | $ 17.1 | $ 6.7 | $ 7.8 | $ 2.9 |
| Asset impairment and lease cancellation charges | $ 3.1 | $ 0.5 | $ 1.6 | $ 0.9 | $ 0.1 | $ 0.5 |
| Other items | $ (0.5) | $ 0.1 | $ 4.0 | $ 29.0 | $ (0.1) | $ 0.2 |
| Adjusted operating income (non-GAAP) | $ 181.8 | $ 206.5 | $ 167.4 | $ 293.8 | $ 310.1 | $ 55.1 |
| **Adjusted operating margins (non-GAAP)** | **11.3%** | **12.5%** | **10.3%** | **13.3%** | **12.2%** | **9.1%** |
| Depreciation & Amortization | $ 49.0 | $ 52.6 | $ 71.6 | $ 102.2 | $ 154.9 | $ 39.6 |
| Adjusted EBITDA (non-GAAP) | $ 230.8 | $ 259.1 | $ 239.0 | $ 396.0 | $ 465.0 | $ 94.7 |
| **Adjusted EBITDA margins (non-GAAP)** | **14.3%** | **15.7%** | **14.7%** | **18.0%** | **18.3%** | **15.7%** |



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# Adjusted Net Income

| ($ in millions) | 2018 | 2019 | 2020 | 2021 | 2022 | 3 mo. '23 |
|---|---|---|---|---|---|---|
| As reported net income | $467.4 | $ 303.6 | $ 555.9 | $ 740.1 | $ 757.1 | $ 121.2 |
| **Non-GAAP adjustments:** | | | | | | |
| Restructuring charges and other items[1] | $ 60.7 | $ 40.0 | $ 40.6 | $ 4.4 | $ (4.7) | $ 17.4 |
| Pension plan settlements, curtailment losses, and related charges | $ 93.7 | $ 444.1 | $ 0.5 | $ 2.5 | | |
| Tax benefit from pension plan contributions[2][3] | $ (31.0) | | | | | |
| Tax benefit from pension plan settlements and related charges | $ (19.3) | $ (179.0) | | | | |
| Tax benefit from discrete foreign tax structuring and planning transactions | $ (31.0) | $ (47.9) | | | | |
| TCJA provisional amounts and subsequent adjustments[3] | $ (3.7) | | | | | |
| Adjusted net income (non-GAAP) | $536.8 | $ 560.8 | $ 597.0 | $ 747.0 | $ 752.4 | $ 138.6 |

The adjusted tax rate was 25.5% for the three months months ended April 1, 2023 and 24.7%, 25%, 24.1%, 24.6%, and 25% for 2022, 2021, 2020, 2019, and 2018, respectively.

(1) Includes restructuring and related charges, transaction and related costs, gain/loss on venture investments, gain/loss on sale of assets, gain on sale of product line, outcomes of legal proceedings, Argentine peso remeasurement transition loss, reversal of acquisition related contingent consideration, and other items.

(2) Tax benefits from the deduction of the U.S. pension contributions on our 2017 U.S. income tax return.

(3) In the fourth quarter of 2018, we finalized our provisional amounts as defined under SEC Staff Accounting Bulletin No. 118 related to the TCJA.



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# Adjusted EPS

| | 2018 | 2019 | 2020 | 2021 | 2022 | 3 mo. '23 | 2021-2022 2-Yr CAGR |
|---|---|---|---|---|---|---|---|
| As reported net income per common share, assuming dilution | $ 5.28 | $ 3.57 | $ 6.61 | $ 8.83 | $ 9.21 | $ 1.49 | |
| **Non-GAAP adjustments per common share, net of tax:** | | | | | | | |
| Restructuring charges and other items[(1)] | $ 0.68 | $ 0.47 | $ 0.48 | $ 0.05 | $ (0.06) | $ 0.21 | |
| Pension plan settlements, curtailment losses, and related charges | $ 0.84 | $ 3.12 | $ 0.01 | $ 0.03 | | | |
| Tax benefit from discrete foreign tax structuring and planning transactions | $ (0.35) | $ (0.56) | | | | | |
| TCJA provisional amounts and subsequent adjustments[(2)] | $ (0.39) | | | | | | |
| Adjusted net income per common share, assuming dilution (non-GAAP) | $ 6.06 | $ 6.60 | $ 7.10 | $ 8.91 | $ 9.15 | $ 1.70 | **13.5%** |

The adjusted tax rate was 25.5% for the three months months ended April 1, 2023 and 24.7%, 25%, 24.1%, 24.6%, and 25% for 2022, 2021, 2020, 2019, and 2018, respectively.

(1) Includes restructuring and related charges, transaction and related costs, gain/loss on venture investments, gain/loss on sale of assets, gain on sale of product line, outcomes of legal proceedings, Argentine peso remeasurement transition loss, reversal of acquisition related contingent consideration, and other items.

(2) In the fourth quarter of 2018, we finalized our provisional amounts as defined under SEC Staff Accounting Bulletin No. 118 related to the TCJA.



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# Adjusted Free Cash Flow

| ($ in millions) | 2018 | 2019 | 2020 | 2021 | 2022 | 3 mo. '23 |
|---|---|---|---|---|---|---|
| Net cash provided by operating activities | $ 457.9 | $ 746.5 | $ 751.3 | $1,046.8 | $ 961.0 | $ 1.9 |
| Purchases of property, plant and equipment | (226.7) | (219.4) | (201.4) | (255.0) | (278.1) | (64.5) |
| Purchases of software and other deferred charges | (29.9) | (37.8) | (17.2) | (17.1) | (20.4) | (5.3) |
| Proceeds from sales of property, plant and equipment | 9.4 | 7.8 | 9.2 | 1.1 | 2.3 | 0.2 |
| Proceeds from insurance and sales (purchases) of investments, net | 18.5 | 4.9 | 5.6 | 3.1 | 1.9 | (3.5) |
| Payments for certain acquisition-related transaction costs | - | - | - | 18.8 | 0.6 | - |
| Contributions for U.S. pension plan termination | 200.0 | 10.3 | - | - | - | - |
| Adjusted Free Cash Flow (non-GAAP) | $ 429.2 | $ 512.3 | $ 547.5 | $ 797.7 | $ 667.3 | $ (71.2) |



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# Return on Total Capital (ROTC)

| ($ in millions) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2015-2019 5-Yr Avg. |
|---|---|---|---|---|---|---|---|---|---|
| As reported net income | $ 274.4 | $ 320.7 | $ 281.8 | $ 467.4 | $ 303.6 | $ 555.9 | $ 740.1 | $ 757.1 | |
| Interest expense, net of tax benefit | $ 40.6 | $ 40.3 | $ 30.1 | $ 49.5 | $ 57.2 | $ 53.1 | $ 52.7 | $ 63.7 | |
| Intangible amortization, net of tax benefit | $ 13.8 | $ 13.4 | $ 8.9 | $ 12.9 | $ 10.2 | $ 15.1 | $ 33.5 | $ 62.0 | |
| Effective Tax Rate | 32.9% | 32.8% | 52.2% | 15.4% | 24.6% | 24.1% | 25.0% | 24.2% | |
| Net income, excluding interest expense and intangible amortization, net of tax benefit | $ 328.8 | $ 374.4 | $ 320.8 | $ 529.8 | $ 371.0 | $ 624.1 | $ 826.3 | $ 882.8 | |
| Total debt | $ 1,058.9 | $ 1,292.5 | $ 1,581.7 | $ 1,966.2 | $ 1,939.5 | $ 2,116.8 | $ 3,104.7 | $ 3,102.1 | |
| Shareholders' equity | $ 965.7 | $ 925.5 | $ 1,046.2 | $ 955.1 | $ 1,204.0 | $ 1,484.9 | $ 1,924.4 | $ 2,032.2 | |
| Total debt and shareholders' equity | $ 2,024.6 | $ 2,218.0 | $ 2,627.9 | $ 2,921.3 | $ 3,143.5 | $ 3,601.7 | $ 5,029.1 | $ 5,134.3 | |
| **ROTC (non-GAAP)** | **15.6%** | **17.6%** | **13.2%** | **19.1%** | **12.2%** | **18.5%** | **19.1%** | **17.4%** | **15.5%** |



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# Net Debt to Adjusted EBITDA

| ($ in millions) | QTD 2Q22 | QTD 3Q22 | QTD 4Q22 | QTD 1Q23 |
|---|---|---|---|---|
| **Reconciliation of adjusted EBITDA from GAAP:** | | | | |
| As reported net income | $ 214.5 | $ 221.5 | $ 122.9 | $ 121.2 |
| Other expense (income), net | 3.4 | (3.9) | 1.5 | 17.8 |
| Interest expense | 20.8 | 21.2 | 22.5 | 26.4 |
| Other non-operating expense (income), net | (1.3) | (1.4) | (5.3) | (4.6) |
| Provision for income taxes | 73.4 | 51.0 | 46.3 | 47.1 |
| Depreciation and amortization | 73.2 | 72.0 | 73.5 | 72.3 |
| Adjusted EBITDA (non-GAAP) | $ 384.0 | $ 360.4 | $ 261.4 | $ 280.2 |
| | | | | |
| Total Debt | | | | $ 3,559.1 |
| Less: Cash and cash equivalents | | | | 351.3 |
| Net Debt | | | | $ 3,207.8 |
| Net Debt to Adjusted EBITDA LTM* (non-GAAP) | | | | 2.5 |

*LTM = Last twelve months (2Q22 to 1Q23)

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