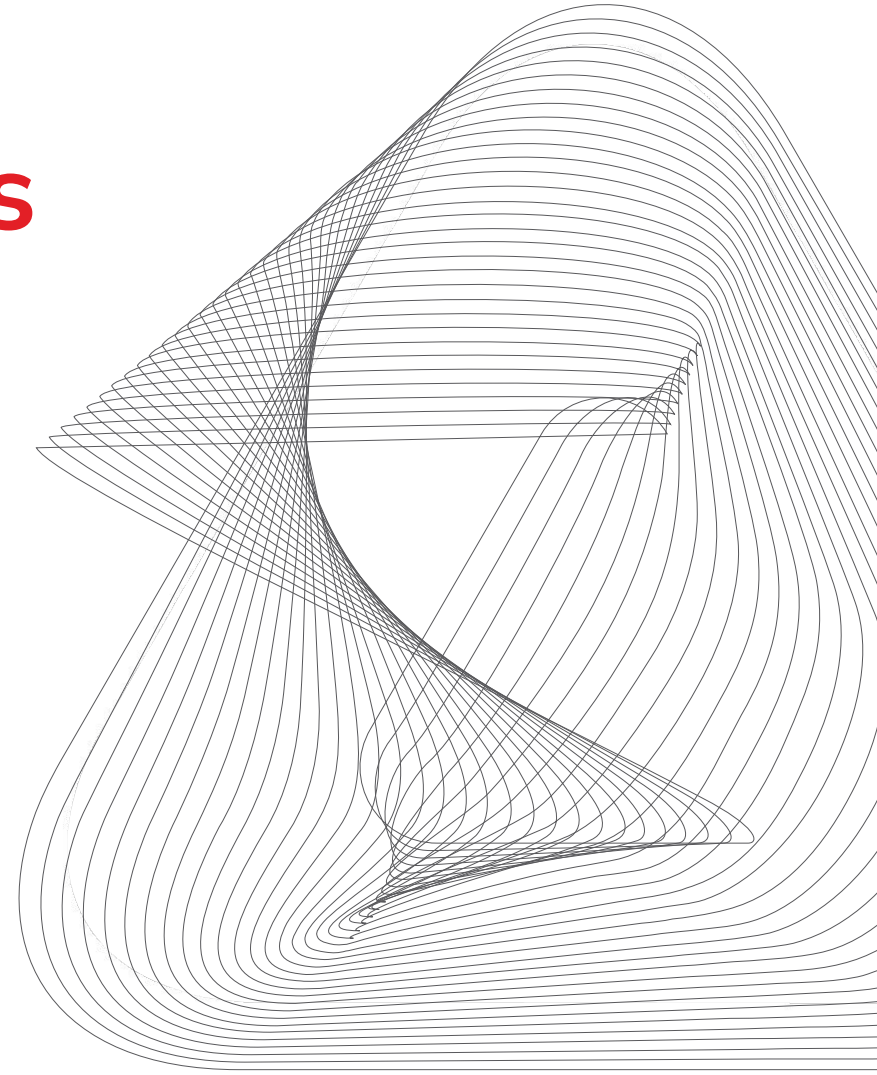


Second Quarter 2022 Financial Review and Analysis (preliminary, unaudited)

July 27, 2022

Supplemental Presentation Materials

Unless otherwise indicated, comparisons are to the same period in the prior year.



Safe Harbor Statement

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. Forward-looking statements also include those related to the acquisition of CB Velocity Holdings, LLC ("Vestcom"), including its effect on our long-term targets and future financial results. 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, including as a result of COVID-19; (ii) the 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, including our acquisition of Vestcom.

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:

- COVID-19
- International Operations – worldwide and local economic and market conditions; changes in political conditions, including 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, including our acquisition of Vestcom; 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; and collection of receivables from customers
- 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 2021 Form 10-K, filed with the Securities and Exchange Commission on February 23, 2022, 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 to 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-10 to news release dated July 27, 2022).

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 and the accompanying news release.

- **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 income before taxes; interest expense; other non-operating expense (income), net; and other expense (income), net.
- **Adjusted EBITDA** refers to adjusted operating income before depreciation and amortization.
- **Adjusted EBITDA ex. currency** refers to the change in adjusted EBITDA on a constant currency basis. 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.
- **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 the enactment of the U.S. Tax Cuts and Jobs Act (TCJA), where applicable, 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.
- **Adjusted net income per common share, assuming dilution, ex. currency** refers to the change in adjusted net income per common share, assuming dilution, on a constant currency basis. 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.
- **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.
- **Free cash flow** 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. Free cash flow is also adjusted for, where applicable, certain acquisition-related transaction costs. We believe that free cash flow assists investors by showing the amount of cash we have available for debt reductions, dividends, share repurchases, and acquisitions.

This document has been furnished (not filed) on Form 8-K with the SEC and may be found on our website at www.investors.averydennison.com.

Strong performance continues; raising guidance

Successfully navigating dynamic macro environment; Q2 above expectations

- Reported EPS of \$2.61; adj. EPS (non-GAAP) of \$2.64, up 17%
- Revenue of \$2.35 bil., up 17% ex. currency and 11% organically
- Operating income up significantly, both year-over-year and sequentially
 - Adj. EBITDA (non-GAAP) of \$384 mil., up 18% and ~25% on a constant currency basis
 - Adj. EBITDA margin (non-GAAP) of 16.4%, up 100 bps
- YTD free cash flow (non-GAAP) of \$282 mil.

LGM margins expanded both sequentially and year-over-year on significant revenue growth driven by pricing

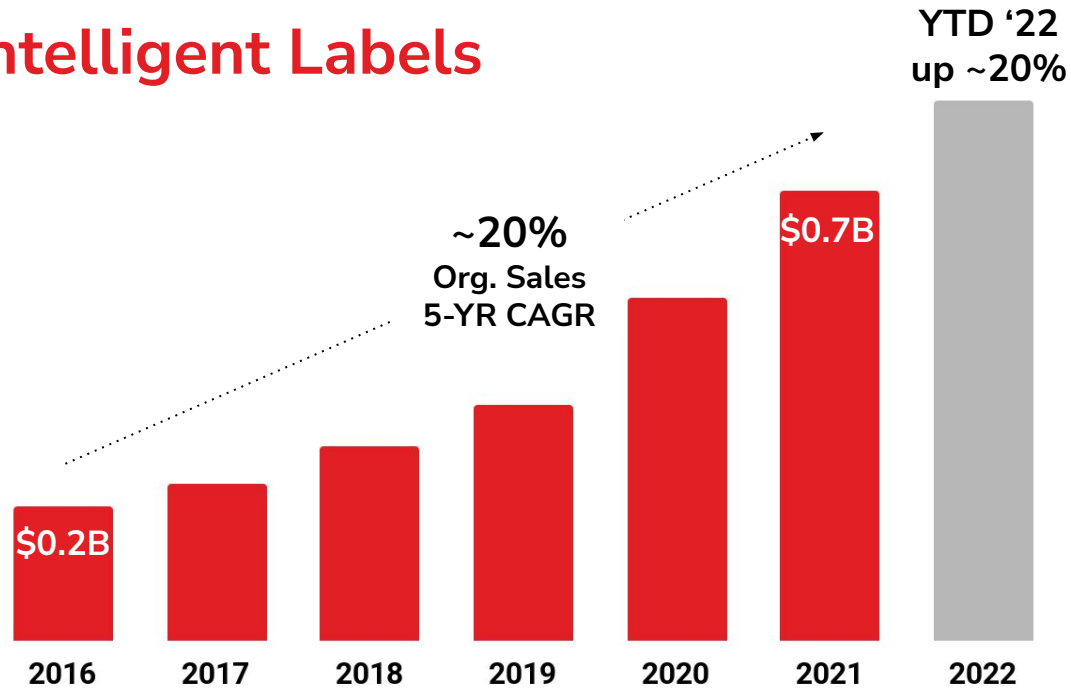
RBIS posted strong margin expansion and revenue growth; Vestcom achieving acquisition objectives

Intelligent Labels continues strong growth trend; momentum accelerating

Raising FY EPS guidance midpoint by 20 cents despite incremental currency translation headwind of ~25 cents

- Now targeting full year adj. EPS of \$9.70 to \$10.00
 - Midpoint up more than 10% compared to prior year; up 19% ex. currency
- Organic sales growth outlook of 13% to 14%

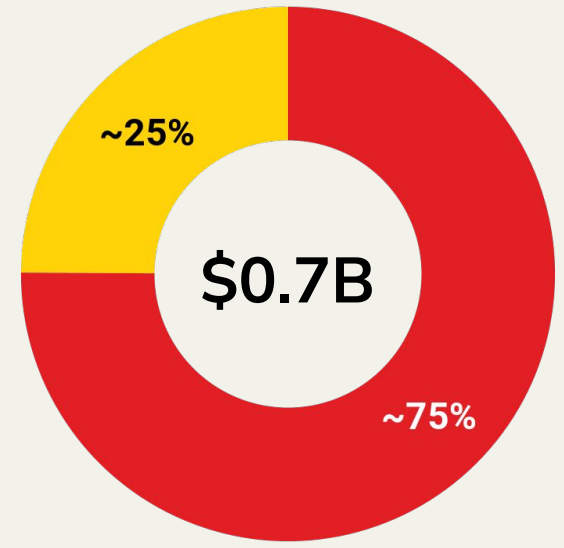
Intelligent Labels



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

Solutions enabling omnichannel retail, more efficient supply chains, enhanced consumer experience and less waste

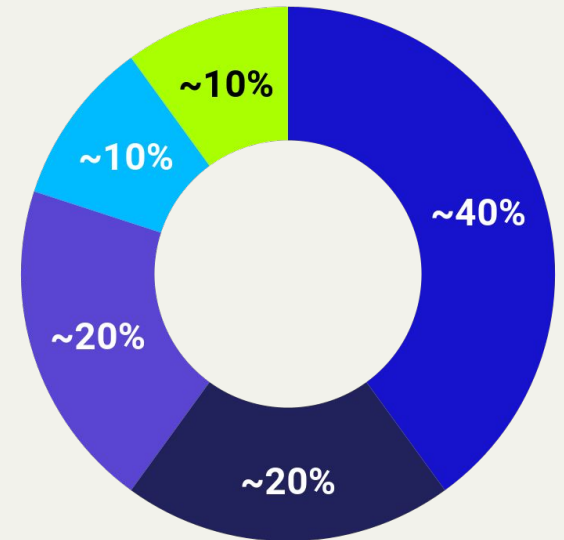
End Market



2021 Sales by End Market

- Apparel
- Non-Apparel

of Engagements



Pipeline by End Market

- Apparel
- Food
- Logistics
- Industrial
- Beauty

Quarterly Sales Trend Analysis

	2Q21	3Q21	4Q21	1Q22	2Q22
Reported Sales Change	37.5%	19.8%	9.7%	14.5%	11.7%
Organic Sales Change ⁽¹⁾	28.1%	13.9%	12.8%	12.7%	11.3%
Acquisitions/Divestitures	1.1%	3.0%	5.7%	5.3%	5.4%
Sales Change Ex. Currency ^{(1),(2)}	29.2%	17.0%	18.5%	18.0%	16.7%
Extra Week Impact	-	-	(8.5%)	-	-
Currency Translation	8.3%	2.8%	(0.3%)	(3.4%)	(5.0%)
Reported Sales Change⁽²⁾	37.5%	19.8%	9.7%	14.5%	11.7%

(1) Non-GAAP

(2) Totals may not sum due to rounding

July 27, 2022

Second Quarter 2022 Financial Review and Analysis



Quarterly Sales Trend Analysis (cont.)

	Organic Sales Change				
	2Q21	3Q21	4Q21	1Q22	2Q22
LGM	16%	14%	11%	12%	15%
RBIS	72%	14%	20%	20%	5%
IHM	33%	15%	10%	1%	7%
Total Company	28%	14%	13%	13%	11%
Total Company Sales Change Ex. Currency	29%	17%	19%	18%	17%

Second Quarter Sales Growth and Operating Margin Comparison

Second Quarter Sales Growth

	Reported	Ex. Currency	Organic
Label and Graphic Materials	8.4%	14.3%	14.5%
Retail Branding and Information Solutions	24.2%	27.0%	4.5%
Industrial and Healthcare Materials	0.6%	4.7%	7.1%
Total Company	11.7%	16.7%	11.3%

	Operating Margin Reported		Adj. EBITDA Margin (Non-GAAP)	
	2Q22	2Q21	2Q22	2Q21
Label and Graphic Materials	15.2%	16.6%	17.1%	16.6%
Retail Branding and Information Solutions	12.9%	8.0%	19.0%	16.8%
Industrial and Healthcare Materials	10.3%	11.5%	13.7%	15.3%
Total Company	13.1%	12.8%	16.4%	15.4%

Label and Graphic Materials

Reported sales increased 8% to \$1.5 bil.

Sales up 14% ex. currency and 15% organically

- Label and Packaging Materials up high teens on organic basis, with strong growth in both high value and base categories
- Combined Graphics and Reflective Solutions down mid-single digits on organic basis
- Organically, North America up high teens, Western Europe up more than 20% and emerging markets up mid-single digits

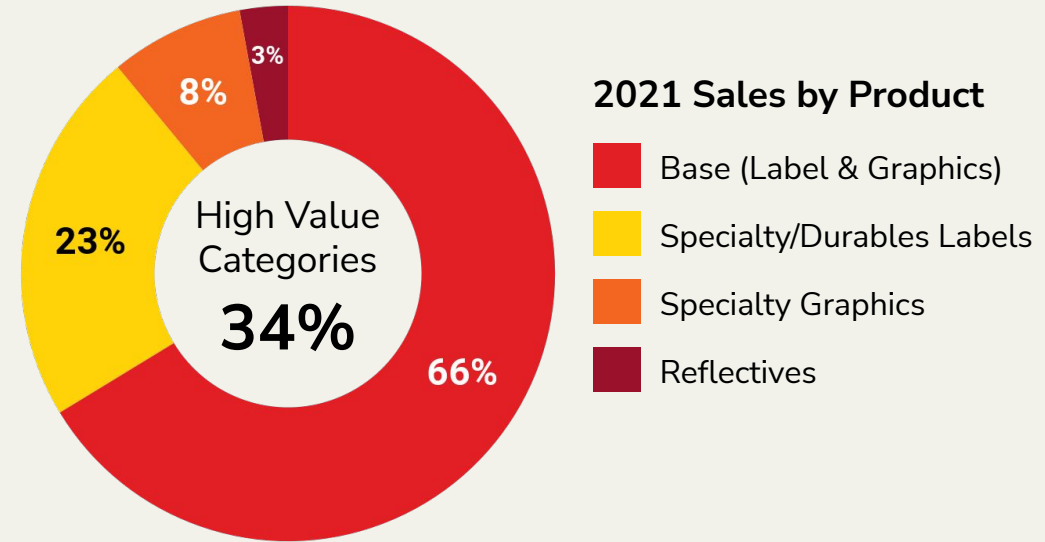
Reported operating margin decreased 140 bps to 15.2%

- Adj. EBITDA margin increased 50 bps to 17.1% as benefits from net impact of pricing, freight and raw material costs, productivity and mix more than offset higher employee-related costs and lower volume

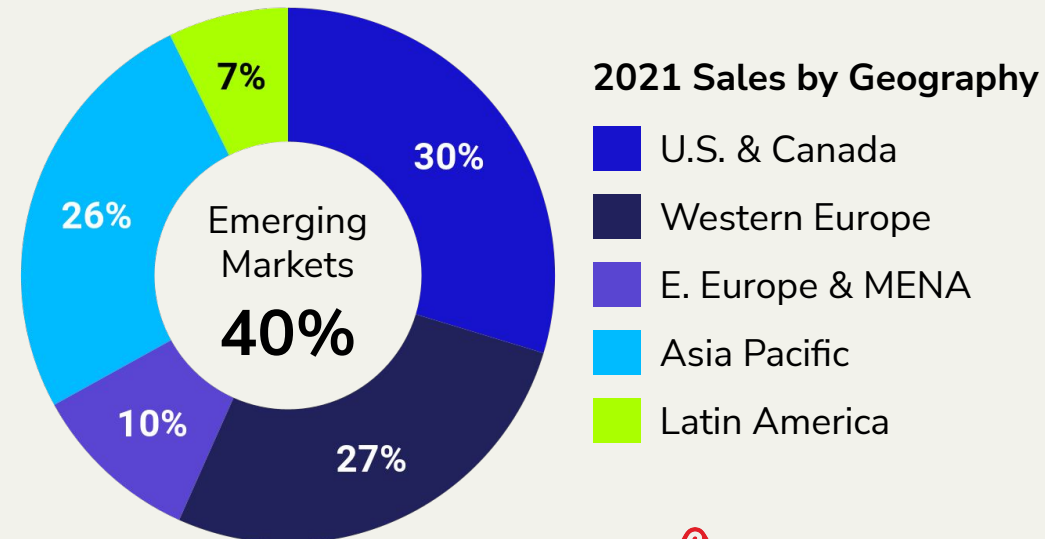
Inflation continues to be significant in our materials businesses

- FY22: anticipate more than 20% inflation vs. prior year

Product Category



End Market



Retail Branding and Information Solutions

Reported sales increased 24% to \$658 mil.

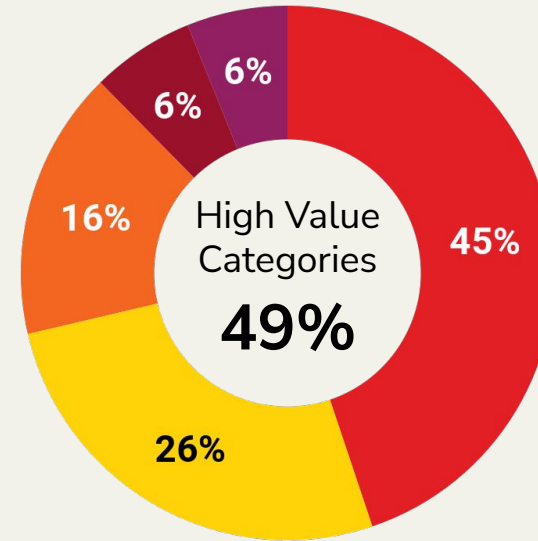
Sales up 27% ex. currency and 5% organically

- Strong growth in high value categories, including Intelligent Labels and external embellishments
- Base down low-single digits in Q2 following strong Q1; up mid-single digits YTD

Reported operating margin increased 490 bps to 12.9%

- Adj. EBITDA margin increased 220 bps to 19.0% as combined benefit from higher organic volume and acquisitions was partially offset by growth investments and higher employee-related costs

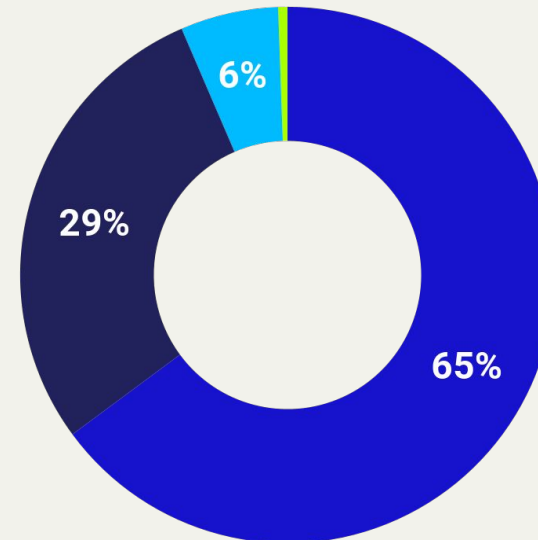
Product Category



2021 Sales by Product⁽¹⁾

- Base Tags & Labels
- Intelligent Labels
- Vestcom
- AIDC⁽²⁾ Solutions
- Ext. Embellishments

Estimated End Market



2021 Sales by Geography⁽¹⁾

- U.S. & Canada
- Europe
- Asia Pacific
- Latin America

(1) Adjusted to include FY21 Vestcom sales
(2) Automatic Identification and Data Capture ("AIDC")

Industrial and Healthcare Materials

Reported sales increased 1% to \$198 mil.

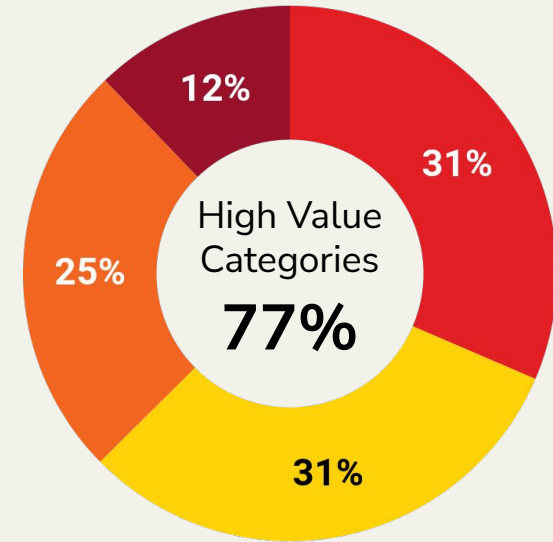
Sales up 5% ex. currency and 7% organically

- Industrial categories up mid-single digits on organic basis
- Healthcare up high teens on organic basis

Reported operating margin decreased 120 bps to 10.3%

- Adj. EBITDA margin increased 190 bps sequentially to 13.7%
- Adj. EBITDA margin decreased 160 bps vs. PY as benefits from net impact of pricing, freight, and raw material costs were more than offset by higher employee-related costs and lower volume/mix
 - Lower volume principally driven by China

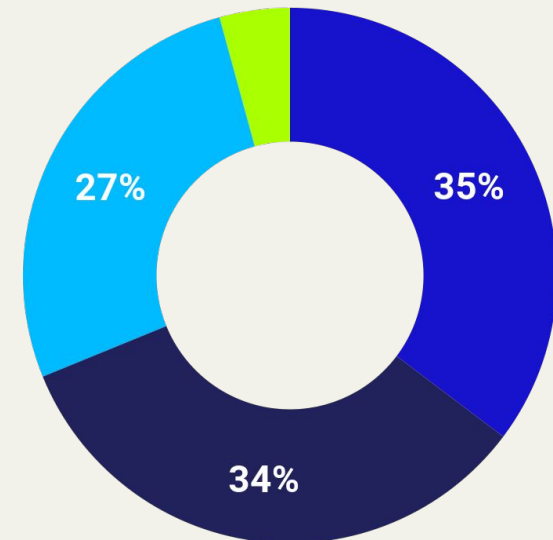
Product Category



2021 Sales by Product

- Automotive
- Other Industrial
- Healthcare
- Retail

Estimated End Market

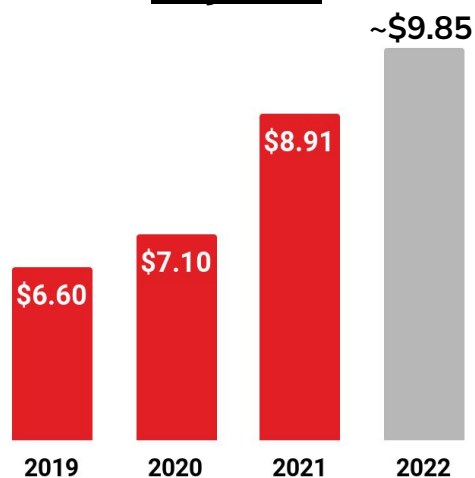


2021 Sales by Geography

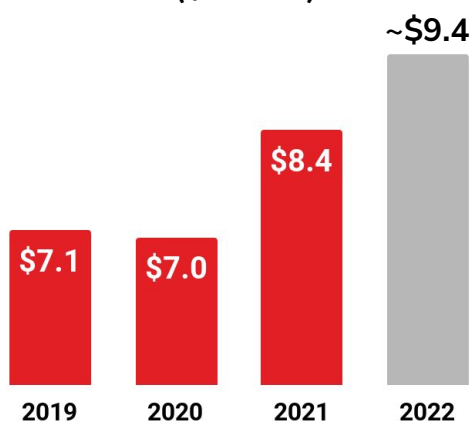
- U.S. & Canada
- Europe
- Asia Pacific
- Latin America

Track record of consistent results; once again poised to deliver in 2022

Adj. EPS



Revenue (\$ billion)



2022 EPS Guidance

	Previous	Updated
Reported EPS	\$9.35 – \$9.75	\$9.60 – \$9.90
Add Back:		
Est. restructuring costs and other items	~\$0.10	~\$0.10
Adjusted EPS (non-GAAP)	\$9.45 – \$9.85	\$9.70 – \$10.00

Contributing Factors to 2022

- Reported sales growth of 11% to 12%; ~5% currency headwind (previously ~3%)
 - Ex. currency growth of 16% to 17%; ~3% benefit from M&A
 - Organic sales growth of 13% to 14% (previously 12% to 14%)
- Currency translation headwind to operating income of ~\$67 mil. (previously ~\$40 mil.)
- Investing ~\$35 mil., principally in Intelligent Labels, digital capabilities and sustainability
- Tax rate in mid-20% range
- Fixed and IT capital spend of up to \$350 mil.

Appendix:

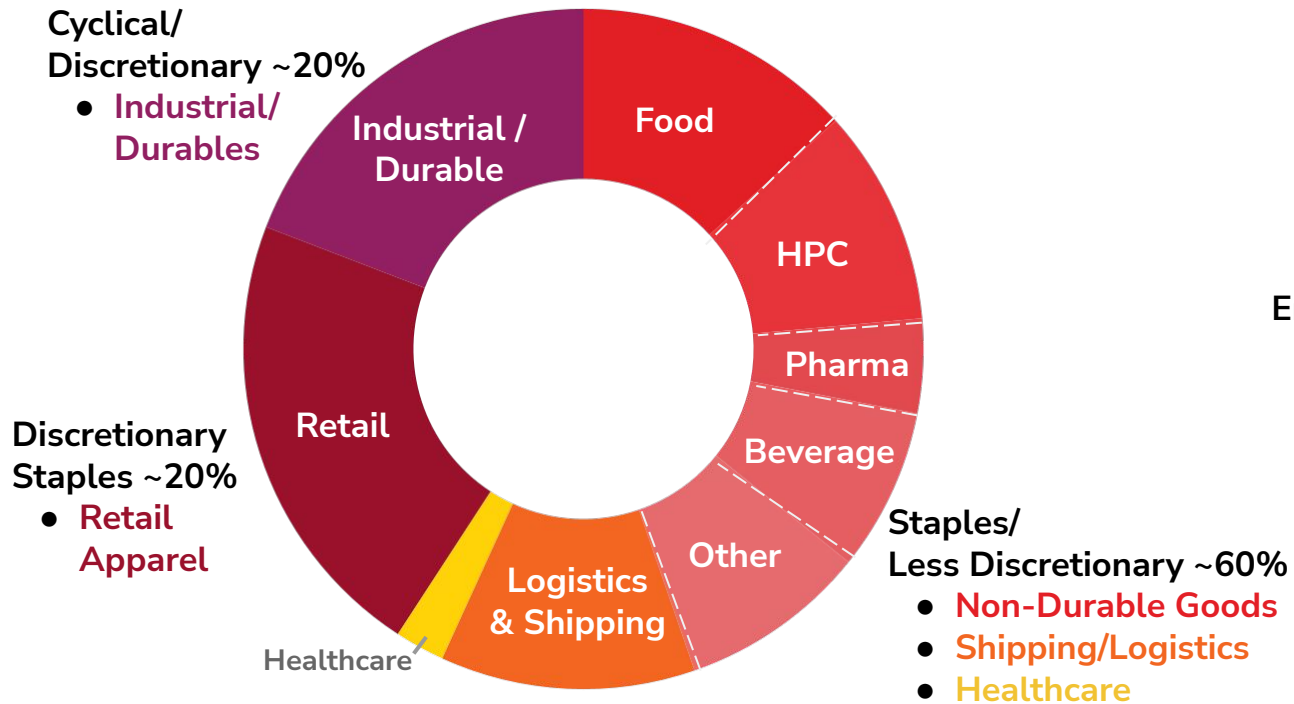
End Market Exposure

Supplemental Non-GAAP Reconciliations

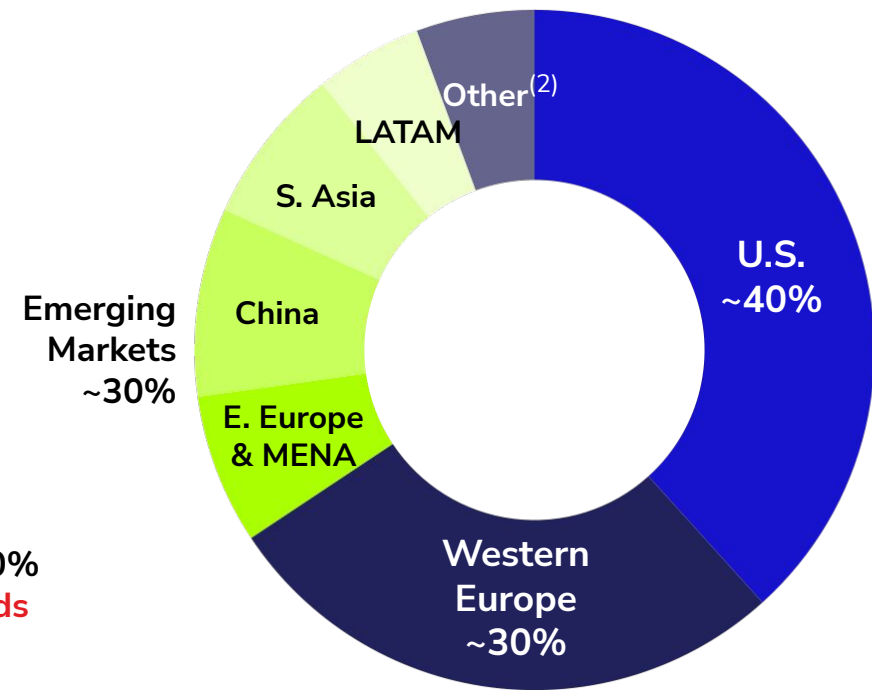


Broad exposure to diverse end markets

2021 Sales by Product Category⁽¹⁾



2021 Sales by End Market, est.⁽¹⁾



(1) Adjusted to include FY21 Vestcom sales

(2) 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)

Adjusted EPS

	<u>2019</u>	<u>2020</u>	<u>2021</u>
As reported net income per common share, assuming dilution	\$ 3.57	\$ 6.61	\$ 8.83
<u>Non-GAAP adjustments per common share, net of tax:</u>			
Restructuring charges and other items ⁽¹⁾	\$ 0.47	\$ 0.48	\$ 0.05
Pension plan settlements and related charges	\$ 3.12	\$ 0.01	\$ 0.03
Tax benefit from discrete foreign tax structuring and planning transactions	\$ (0.56)		
<u>Adjusted net income per common share, assuming dilution (non-GAAP)</u>	\$ 6.60	\$ 7.10	\$ 8.91

The adjusted tax rate was 25%, 24.1%, and 24.6% for 2021, 2020, and 2019, 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, and other items.

Adjusted EPS and EBITDA, ex. currency

(In millions, except % and per share amounts)

<u>QTD</u>	<u>Adjusted EBITDA Non-GAAP</u>	<u>Adjusted net income Non-GAAP</u>	<u>Weighted average number of common shares outstanding, assuming dilution</u>	<u>Adjusted net income per common share, assuming dilution Non-GAAP</u>
Q2 2022 As reported	\$384.0	\$216.7	82.1	\$2.64
Q2 2021 As reported	\$324.5	\$188.4	83.8	\$2.25
% Change	18%			17%
Q2 2022 As reported	\$384.0	\$216.7	82.1	\$2.64
Q2 2021 As reported, ex. currency	~ \$307.1	~ \$176.6	83.8	~ \$2.11
% Change ex. currency	~ 25%			~ 25%

