

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) July 25, 2023

**AVERY DENNISON CORPORATION**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**1-7685**  
(Commission  
File Number)

**95-1492269**  
(IRS Employer  
Identification No.)

**8080 Norton Parkway**  
**Mentor, Ohio**  
(Address of principal executive offices)

**44060**  
(Zip Code)

**Registrant's telephone number, including area code (440) 534-6000**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$1 par value	AVY	New York Stock Exchange
1.25% Senior Notes due 2025	AVY25	Nasdaq Stock Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

## Section 2 - Financial Information

### Item 2.02 Results of Operations and Financial Condition.

Avery Dennison Corporation's (the "Company's") press release, dated July 25, 2023, announcing the Company's preliminary, unaudited financial results for the second quarter of 2023 and guidance for the third quarter of 2023 is attached hereto as Exhibit 99.1 and is being furnished (not filed) with this Form 8-K.

The Company's supplemental presentation materials, dated July 25, 2023, regarding the Company's preliminary, unaudited financial review and analysis for the second quarter of 2023 and guidance for the third quarter of 2023 is attached hereto as Exhibit 99.2 and is being furnished (not filed) with this Form 8-K. The press release and presentation materials are also available on the Company's website at [www.investors.averydennison.com](http://www.investors.averydennison.com).

The Company will discuss its preliminary, unaudited financial results during a webcast and teleconference to be held on July 25, 2023, at 1:00 p.m. ET. To access the webcast and teleconference, please go to the Company's website at [www.investors.averydennison.com](http://www.investors.averydennison.com).

## Section 9 - Financial Statements and Exhibits

### Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 [Press release, dated July 25, 2023, announcing the Company's preliminary, unaudited financial results for the second quarter of 2023.](#)

99.2 [Supplemental presentation materials, dated July 25, 2023, regarding the Company's preliminary, unaudited financial review and analysis for the second quarter of 2023.](#)

#### "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

Certain statements contained in this Form 8-K and the exhibits attached hereto 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.

The Company believes that the most significant risk factors that could affect its financial performance in the near term include: (i) the impacts to underlying demand for the Company's 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
- The Company's Business – fluctuations in demand affecting sales to customers; fluctuations in the cost and availability of raw materials and energy; changes in the Company's 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; the Company's ability to generate sustained productivity improvement; the Company's 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
- The Company's Indebtedness – credit risks; the Company's ability to obtain adequate financing arrangements and maintain access to capital; fluctuations in interest rates; volatility of financial markets; and compliance with the Company's debt covenants
- Ownership of the Company's Stock – potential significant variability of the Company's 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 Part I, Item 1A. "Risk Factors" and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2022 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 Form 8-K are made only as of the date of this Form 8-K, and the Company undertakes no obligation to update these statements to reflect subsequent events or circumstances, other than as may be required by law.

---

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Press release, dated July 25, 2023, announcing the Company's preliminary unaudited financial results for the second quarter of 2023.</a>
99.2	<a href="#">Supplemental presentation materials, dated July 25, 2023, regarding the Company's preliminary unaudited financial review and analysis for the second quarter of 2023.</a>
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

---

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**AVERY DENNISON CORPORATION**

Date: July 25, 2023

By: /s/ Gregory S. Lovins  
Name: Gregory S. Lovins  
Title: Senior Vice President and Chief Financial Officer



For Immediate Release

## AVERY DENNISON ANNOUNCES SECOND QUARTER 2023 RESULTS

### Highlights:

- 2Q23 Net sales of \$2.1 billion
  - i Sales change ex. currency (non-GAAP) down 10%
  - i Organic sales change (non-GAAP) down 10%
- 2Q23 Reported EPS of \$1.24
  - i Increased accrual for legacy legal matter; preparing for appeal
  - i Adjusted EPS (non-GAAP) of \$1.92, up 13% sequentially
- 3Q23 Reported EPS guidance of \$1.70 to \$1.90
  - i Adjusted EPS guidance of \$2.00 to \$2.20

**MENTOR, Ohio, July 25, 2023** – Avery Dennison Corporation (NYSE:AVY) today announced preliminary, unaudited results for its second quarter ended July 1, 2023. Non-GAAP financial measures referenced in this release are reconciled from GAAP in the attached financial schedules. Unless otherwise indicated, comparisons are to the same period in the prior year.

"Earnings per share increased sequentially in the second quarter, a trend we expect to continue in coming quarters," said Mitch Butier, Chairman and CEO. "Volumes in our Materials businesses continue to recover from slow market conditions, largely destocking, while our Intelligent Labels platform accelerates adoption into new categories.

"While it's good to see the continuing sequential improvements in our Materials businesses and the building momentum in Intelligent Labels, the pace of our recovery is slower than anticipated. Our results for the quarter were below our expectation due to lower revenue, something the team was able to largely offset through cost reduction actions," Butier added.

"We remain confident this period of challenging results will soon pass. Our leadership positions in large diverse growing markets, the strategic foundations we have laid, and the dedication and expertise of our team positions us well to continue to deliver GDP+ growth and top-quartile returns over the long-run," said Deon Stander, President and COO.

---

## **Second Quarter 2023 Results by Segment**

### **Materials Group**

- Reported sales decreased 13% to \$1.5 billion. Sales were down 12% ex. currency and on an organic basis.
  - Label materials sales were down mid-teens on an organic basis.
    - Lower volume was driven primarily by inventory destocking.
    - Volume increased sequentially, particularly in Europe, as the negative impact of destocking moderated.
  - Sales increased by high-single digits organically in the Graphics and Reflective Solutions businesses.
  - Sales decreased by low-to-mid single digits organically in the combined Performance Tapes and Medical businesses.
- Reported operating margin decreased 150 basis points to 13.1%. Adjusted EBITDA margin (non-GAAP) was strong, increasing 150 basis points sequentially to 15.7%. Adjusted EBITDA margin decreased 100 basis points compared to prior year, as productivity initiatives and temporary cost-saving actions largely offset lower volume/mix.
- The company anticipates adjusted EBITDA margin will improve sequentially.

### **Solutions Group**

- Reported sales decreased 7% to \$615 million. Sales were down 4% ex. currency and 7% on an organic basis.
  - Sales in high-value categories were up low-single digits on an organic basis.
  - Sales were down high-teens organically in base solutions as retailer and brand sentiment remains muted.

- Reported operating margin decreased approximately 14 points to (1.2%) with an increased accrual for a legacy legal matter, which the company is preparing for appeal. Adjusted EBITDA margin decreased 320 basis points to 15.8% driven by lower volume and growth investments, partially offset by productivity initiatives and temporary cost-saving actions.
- The company anticipates adjusted EBITDA margin will improve sequentially.

#### **Other**

#### **Balance Sheet and Capital Deployment**

During the first half of the year, the company deployed \$194 million for acquisitions and returned \$216 million in cash to shareholders through a combination of dividends and share repurchases. The company repurchased 0.5 million shares at an aggregate cost of \$90 million during the first half of the year. Net of dilution from long-term incentive awards, the company's share count at the end of the quarter was down 0.8 million compared to the same time last year.

The company continues to deploy capital in a disciplined manner, executing its long-term capital allocation strategy. The company's balance sheet remains strong. Net debt to adjusted EBITDA (non-GAAP) was 2.75x at the end of the second quarter.

#### **Income Taxes**

The company's reported second quarter effective tax rate was 28.4%. The adjusted tax rate (non-GAAP) for the quarter was 25.5%.

The company's 2023 adjusted tax rate is expected to be in the mid-twenty percent range based on current tax regulations.

#### **Cost Reduction Actions**

During the first half of the year, the company realized approximately \$24 million in pre-tax savings from restructuring, net of transition costs, and incurred approximately \$28 million in pre-tax restructuring charges.

#### **Guidance**

In its supplemental presentation materials, "Second Quarter 2023 Financial Review and Analysis", the company provides a list of factors that it believes will contribute to its third quarter 2023 financial results. Based on the factors listed and other assumptions, the company expects third quarter 2023 reported earnings per share of \$1.70 to \$1.90.

Excluding an estimated \$0.30 per share impact of restructuring charges and other items, the company expects third quarter 2023 adjusted earnings per share of \$2.00 to \$2.20.

For more details on the company's results, see the summary tables accompanying this news release, as well as the supplemental presentation materials, "Second Quarter 2023 Financial Review and Analysis," posted on the company's website at [www.investors.averydennison.com](http://www.investors.averydennison.com), and furnished to the SEC on Form 8-K.

Throughout this release and the supplemental presentation materials, amounts on a per share basis reflect fully diluted shares outstanding.

### **About Avery Dennison**

Avery Dennison Corporation (NYSE: AVY) is a global materials science and digital identification solutions company that provides branding and information labeling solutions, including pressure-sensitive materials, radio-frequency identification (RFID) inlays and tags, and a variety of converted products and solutions. The company designs and manufactures a wide range of labeling and functional materials that enhance branded packaging, carry or display information that connects the physical and the digital, and improve customers' product performance. The company serves an array of industries worldwide, including home and personal care, apparel, e-commerce, logistics, food and grocery, pharmaceuticals and automotive. The company employs approximately 36,000 employees in more than 50 countries. Reported sales in 2022 were \$9.0 billion. Learn more at [www.averydennison.com](http://www.averydennison.com).

# # #

### **"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995**

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 2022 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.**

**For more information and to listen to a live broadcast or an audio replay of the quarterly conference call with analysts, visit the Avery Dennison website at [www.investors.averydennison.com](http://www.investors.averydennison.com)**

**Contacts:**

Media Relations:  
Kristin Robinson (626) 304-4592  
[kristin.robinson@averydennison.com](mailto:kristin.robinson@averydennison.com)

Investor Relations:  
John Eble (440) 534-6290  
[john.eble@averydennison.com](mailto:john.eble@averydennison.com)

Second Quarter Financial Summary - Preliminary, unaudited (In millions, except % and per share amounts)										
	2Q		% Sales Change vs. PY				2Q		2Q	
	2023	2022	Reported	Ex. Currency	Organic	2023	2022	Change	% of Sales	% of Sales
Net sales, by segment:										
Materials Group	\$1,476.0	\$1,689.5	(12.6%)	(11.6%)	(11.6%)					
Solutions Group	614.5	657.5	(6.5%)	(4.4%)	(7.2%)					
Total net sales	\$2,090.5	\$2,347.0	(10.9%)	(9.6%)	(10.4%)					
	As Reported (GAAP)					Adjusted Non-GAAP				
	2Q	2Q	%	% of Sales		2Q	2Q	%	% of Sales	
	2023	2022	Change	2023	2022	2023	2022	Change	2023	2022
Operating income (loss) / operating margins before interest, other non-operating expense (income), and taxes, by segment:										
Materials Group	\$193.8	\$246.7		13.1%	14.6%	\$199.9	\$247.3		13.5%	14.6%
Solutions Group	(7.2)	84.6		(1.2%)	12.9%	55.0	85.9		9.0%	13.1%
Corporate expense (a)	(21.1)	(23.9)				(21.1)	(22.4)			
Total operating income / operating margins before interest, other non-operating expense (income), and taxes										
	\$165.5	\$307.4	(46%)	7.9%	13.1%	\$233.8	\$310.8	(25%)	11.2%	13.2%
Interest expense	\$31.9	\$20.8				\$31.9	\$20.8			
Other non-operating expense (income), net	(\$6.6)	(\$1.3)				(\$6.6)	(\$1.3)			
Income before taxes	\$140.2	\$287.9	(51%)	6.7%	12.3%	\$208.5	\$291.3	(28%)	10.0%	12.4%
Provision for income taxes	\$39.8	\$73.4				\$53.1	\$74.6			
Net income	\$100.4	\$214.5	(53%)	4.8%	9.1%	\$155.4	\$216.7	(28%)	7.4%	9.2%
Net income per common share, assuming dilution	\$1.24	\$2.61	(52%)			\$1.92	\$2.64	(27%)		
2Q Adjusted free cash flow						\$134.9	\$209.1			
YTD Adjusted free cash flow						\$63.7	\$282.4			
Adjusted EBITDA:										
Materials Group						\$231.9	\$281.5		15.7%	16.7%
Solutions Group						\$97.0	\$124.9		15.8%	19.0%
Corporate expense						(\$21.1)	(\$22.4)			
Total Adjusted EBITDA						\$ 307.8	\$ 384.0		14.7%	16.4%

Previously reported segment results have been recast to reflect our new operating structure.

See accompanying schedules A-4 to A-9 for reconciliations of non-GAAP financial measures from GAAP.

- (a) As reported "Corporate expense" for the second quarter of 2022 includes severance and related costs of \$.8 and outcomes of legal proceedings of \$.7.

**AVERY DENNISON CORPORATION**  
**PRELIMINARY CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In millions, except per share amounts)

	(UNAUDITED)			
	Three Months Ended		Six Months Ended	
	Jul. 1, 2023	Jul. 2, 2022	Jul. 1, 2023	Jul. 2, 2022
Net sales	\$ 2,090.5	\$ 2,347.0	\$ 4,155.5	\$ 4,696.3
Cost of products sold	1,537.1	1,703.5	3,059.8	3,411.5
Gross profit	553.4	643.5	1,095.7	1,284.8
Marketing, general and administrative expense	319.6	332.7	654.0	687.7
Other expense (income), net <sup>(1)</sup>	68.3	3.4	86.1	1.8
Interest expense	31.9	20.8	58.3	40.4
Other non-operating expense (income), net	(6.6)	(1.3)	(11.2)	(2.7)
Income before taxes	140.2	287.9	308.5	557.6
Provision for income taxes	39.8	73.4	86.9	144.9
Net income	\$ 100.4	\$ 214.5	\$ 221.6	\$ 412.7
<b>Per share amounts:</b>				
Net income per common share, assuming dilution	\$ 1.24	\$ 2.61	\$ 2.73	\$ 5.00
Weighted average number of common shares outstanding, assuming dilution	81.0	82.1	81.2	82.6

<sup>(1)</sup> "Other expense (income), net" for the second quarter of 2023 includes outcomes of legal proceedings of \$53.8, severance and related costs of \$8.8, asset impairment charges of \$1.2, transaction and related costs of \$4, and loss on sales of assets of \$.5.

"Other expense (income), net" for the second quarter of 2022 includes severance and related costs of \$3.1, outcomes of legal proceedings of \$.7, and transaction and related costs of \$.1, partially offset by gain on sales of assets of \$.5.

"Other expense (income), net" for the first half of 2023 includes outcomes of legal proceedings of \$53.8, severance and related costs of \$25.9, asset impairment charges of \$1.7, transaction and related costs of \$4.2, and loss on sales of asset of \$.5.

"Other expense (income), net" for the first half of 2022 includes severance and related costs of \$4, outcomes of legal proceedings of \$1.7, and transaction and related costs of \$.3, partially offset by gain on venture investment of \$3.7 and gain on sales of assets of \$.5.

-more-

**AVERY DENNISON CORPORATION**  
**PRELIMINARY CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions)

<b>ASSETS</b>	<b>(UNAUDITED)</b>	
	<b>Jul. 1, 2023</b>	<b>Jul. 2, 2022</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 217.1	\$ 164.8
Trade accounts receivable, net	1,415.2	1,565.1
Inventories	990.5	990.1
Other current assets	228.2	228.8
Total current assets	2,851.0	2,948.8
Property, plant and equipment, net	1,567.0	1,451.0
Goodwill and other intangibles resulting from business acquisitions, net	2,868.9	2,738.6
Deferred tax assets	119.7	119.9
Other assets	859.7	834.1
	<b>\$ 8,266.3</b>	<b>\$ 8,092.4</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Short-term borrowings and current portion of long-term debt and finance leases	\$ 635.8	\$ 738.6
Accounts payable	1,234.8	1,410.9
Other current liabilities	738.1	851.0
Total current liabilities	2,608.7	3,000.5
Long-term debt and finance leases	2,909.7	2,493.4
Other long-term liabilities	732.7	661.6
<b>Shareholders' equity:</b>		
Common stock	124.1	124.1
Capital in excess of par value	851.3	855.9
Retained earnings	4,526.9	4,182.0
Treasury stock at cost	(3,093.9)	(2,914.0)
Accumulated other comprehensive loss	(393.2)	(311.1)
Total shareholders' equity	2,015.2	1,936.9
	<b>\$ 8,266.3</b>	<b>\$ 8,092.4</b>

-more-

**AVERY DENNISON CORPORATION**  
**PRELIMINARY CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

	(UNAUDITED)	
	Six Months Ended	
	Jul. 1, 2023	Jul. 2, 2022
<b>Operating Activities</b>		
Net income	\$ 221.6	\$ 412.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	91.5	88.2
Amortization	54.8	57.0
Provision for credit losses and sales returns	18.9	23.9
Stock-based compensation	12.2	23.9
Deferred taxes and other non-cash taxes	(17.5)	8.6
Other non-cash expense and loss (income and gain), net	17.0	15.0
Changes in assets and liabilities and other adjustments	(207.0)	(234.9)
<b>Net cash provided by operating activities</b>	<b>191.5</b>	<b>394.4</b>
<b>Investing Activities</b>		
Purchases of property, plant and equipment	(115.9)	(106.8)
Purchases of software and other deferred charges	(11.0)	(9.9)
Proceeds from sales of property, plant and equipment	0.3	2.1
Proceeds from insurance and sales (purchases) of investments, net	(1.2)	2.0
<b>Payments for acquisitions, net of cash acquired, and venture investments</b>	<b>(194.1)</b>	<b>(37.0)</b>
<b>Net cash used in investing activities</b>	<b>(321.9)</b>	<b>(149.6)</b>
<b>Financing Activities</b>		
Net increase (decrease) in borrowings with maturities of three months or less	281.8	176.9
Additional long-term borrowings	394.9	---
Repayments of long-term debt and finance leases	(252.6)	(3.4)
Dividends paid	(126.2)	(117.4)
Share repurchases	(89.5)	(268.7)
Net (tax withholding) proceeds related to stock-based compensation	(23.7)	(25.1)
Other	(1.6)	---
<b>Net cash provided by (used in) financing activities</b>	<b>183.1</b>	<b>(237.7)</b>
Effect of foreign currency translation on cash balances	(2.8)	(5.0)
Increase (decrease) in cash and cash equivalents	49.9	2.1
Cash and cash equivalents, beginning of year	167.2	162.7
<b>Cash and cash equivalents, end of period</b>	<b>\$ 217.1</b>	<b>\$ 164.8</b>

-more-

**Reconciliation of Non-GAAP Financial Measures from GAAP**

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 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.

*Adjusted operating income* refers to net income adjusted for taxes; 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.

We believe that adjusted operating margin, adjusted EBITDA margin, adjusted net income, and adjusted EPS assist investors in understanding our core operating trends and comparing our results with those of our competitors.

*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.

*Adjusted 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. 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.

Reconciliations are provided in accordance with Regulations G and S-K and reconcile our non-GAAP financial measures with the most directly comparable GAAP financial measures.

-more-

**AVERY DENNISON CORPORATION**  
**PRELIMINARY RECONCILIATION OF NON-GAAP FINANCIAL MEASURES FROM GAAP**  
(In millions, except % and per share amounts)

	(UNAUDITED)			
	Three Months Ended		Six Months Ended	
	Jul. 1, 2023	Jul. 2, 2022	Jul. 1, 2023	Jul. 2, 2022
<b>Reconciliation of non-GAAP operating margins from GAAP:</b>				
Net sales	\$ 2,090.5	\$ 2,347.0	\$ 4,155.5	\$ 4,696.3
Income before taxes	\$ 140.2	\$ 287.9	\$ 308.5	\$ 557.6
Income before taxes as a percentage of net sales	6.7%	12.3%	7.4%	11.9%
Adjustments:				
Interest expense	\$ 31.9	\$ 20.8	\$ 58.3	\$ 40.4
Other non-operating expense (income), net	(6.6)	(1.3)	(11.2)	(2.7)
Operating income before interest expense, other non-operating expense (income) and taxes	\$ 165.5	\$ 307.4	\$ 355.6	\$ 595.3
Operating margins	7.9%	13.1%	8.6%	12.7%
As reported net income	\$ 100.4	\$ 214.5	\$ 221.6	\$ 412.7
Adjustments:				
Restructuring charges:				
Severance and related costs	8.8	3.1	25.9	4.0
Asset impairment charges	1.2	---	1.7	---
Outcomes of legal proceedings	53.8	0.7	53.8	1.7
Transaction and related costs	4.0	0.1	4.2	0.3
(Gain) loss on sales of assets	0.5	(0.5)	0.5	(0.5)
Gain on venture investment	---	---	---	(3.7)
Interest expense	31.9	20.8	58.3	40.4
Other non-operating expense (income), net	(6.6)	(1.3)	(11.2)	(2.7)
Provision for income taxes	39.8	73.4	86.9	144.9
Adjusted operating income (non-GAAP)	\$ 233.8	\$ 310.8	\$ 441.7	\$ 597.1
Adjusted operating margins (non-GAAP)	11.2%	13.2%	10.6%	12.7%
Depreciation and amortization	74.0	73.2	146.3	145.2
Adjusted EBITDA (non-GAAP)	307.8	384.0	588.0	742.3
Adjusted EBITDA margins (non-GAAP)	14.7%	16.4%	14.1%	15.8%
<b>Reconciliation of non-GAAP net income from GAAP:</b>				
As reported net income	\$ 100.4	\$ 214.5	\$ 221.6	\$ 412.7
Adjustments:				
Restructuring charges and other items <sup>(1)</sup>				
Tax effect on restructuring charges and other items and impact of adjusted tax rate	(13.3)	(1.2)	(13.7)	1.7
Adjusted net income (non-GAAP)	\$ 155.4	\$ 216.7	\$ 294.0	\$ 416.2

<sup>(1)</sup> Included pretax restructuring charges, outcomes of legal proceedings, transaction and related costs, gain/loss on sales of assets and gain on venture investment.

-more-

**AVERY DENNISON CORPORATION**  
**PRELIMINARY RECONCILIATION OF NON-GAAP FINANCIAL MEASURES FROM GAAP**  
(In millions, except % and per share amounts)

	(UNAUDITED)			
	Three Months Ended		Six Months Ended	
	Jul. 1, 2023	Jul. 2, 2022	Jul. 1, 2023	Jul. 2, 2022
<b>Reconciliation of non-GAAP net income per common share from GAAP:</b>				
As reported net income per common share, assuming dilution	\$ 1.24	\$ 2.61	\$ 2.73	\$ 5.00
Adjustments per common share, net of tax:				
Restructuring charges and other items <sup>(1)</sup>	0.84	0.04	1.06	0.02
Tax effect on restructuring charges and other items and impact of adjusted tax rate	(0.16)	(0.01)	(0.17)	0.02
Adjusted net income per common share, assuming dilution (non-GAAP)	\$ 1.92	\$ 2.64	\$ 3.62	\$ 5.04
Weighted average number of common shares outstanding, assuming dilution	81.0	82.1	81.2	82.6

Our adjusted tax rate was 25.5% for the three and six months ended July 1, 2023 and 25.6% for the three and six months ended July 2, 2022, respectively.

<sup>(1)</sup> Included pretax restructuring charges, outcomes of legal proceedings, transaction and related costs, gain/loss on sales of assets and gain on venture investment.

	(UNAUDITED)			
	Three Months Ended		Six Months Ended	
	Jul. 1, 2023	Jul. 2, 2022	Jul. 1, 2023	Jul. 2, 2022
<b>Reconciliation of adjusted free cash flow:</b>				
Net cash provided by operating activities	\$ 189.6	\$ 268.2	\$ 191.5	\$ 394.4
Purchases of property, plant and equipment	(51.4)	(57.1)	(115.9)	(106.8)
Purchases of software and other deferred charges	(5.7)	(4.3)	(11.0)	(9.9)
Proceeds from sales of property, plant and equipment	0.1	1.8	0.3	2.1
Proceeds from insurance and sales (purchases) of investments, net	2.3	0.2	(1.2)	2.0
Payments for certain acquisition-related transaction costs	---	0.3	---	0.6
Adjusted free cash flow (non-GAAP)	\$ 134.9	\$ 209.1	\$ 63.7	\$ 282.4

-more-

**AVERY DENNISON CORPORATION**  
**PRELIMINARY SUPPLEMENTARY INFORMATION**  
(In millions, except %)  
**(UNAUDITED)**

	Second Quarter Ended					
	NET SALES		OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2023	2022	2023	2022	2023	2022
Materials Group	\$ 1,476.0	\$ 1,689.5	\$ 193.8	\$ 246.7	13.1%	14.6%
Solutions Group	614.5	657.5	(7.2)	84.6	(1.2%)	12.9%
Corporate Expense	N/A	N/A	(21.1)	(23.9)	N/A	N/A
<b>TOTAL FROM OPERATIONS</b>	<b>\$ 2,090.5</b>	<b>\$ 2,347.0</b>	<b>\$ 165.5</b>	<b>\$ 307.4</b>	<b>7.9%</b>	<b>13.1%</b>

RECONCILIATION OF NON-GAAP SUPPLEMENTARY INFORMATION FROM GAAP

	Second Quarter Ended			
	2023	2022	2023	2022
	<b>Materials Group</b>			
Operating income and margins, as reported	\$ 193.8	\$ 246.7	13.1%	14.6%
Adjustments:				
Restructuring charges:				
Severance and related costs	4.5	0.6	0.3%	---
Asset impairment charges	1.1	---	0.1%	---
Loss on sales of assets	0.5	---	---	---
Adjusted operating income and margins (non-GAAP)	\$ 199.9	\$ 247.3	13.5%	14.6%
Depreciation and amortization	32.0	34.2	2.2%	2.1%
Adjusted EBITDA and margins (non-GAAP)	\$ 231.9	\$ 281.5	15.7%	16.7%
<b>Solutions Group</b>				
Operating income (loss) and margins, as reported	\$ (7.2)	\$ 84.6	(1.2%)	12.9%
Adjustments:				
Restructuring charges:				
Severance and related costs	4.3	1.7	0.7%	0.3%
Asset impairment charges	0.1	---	---	---
Outcomes of legal proceedings	53.8	---	8.8%	---
Transaction and related costs	4.0	0.1	0.7%	---
Gain on sales of assets	---	(0.5)	---	(0.1%)
Adjusted operating income and margins (non-GAAP)	\$ 55.0	\$ 85.9	9.0%	13.1%
Depreciation and amortization	42.0	39.0	6.8%	5.9%
Adjusted EBITDA and margins (non-GAAP)	\$ 97.0	\$ 124.9	15.8%	19.0%

Previously reported segment results have been recast to reflect our new operating structure.

-more-

**AVERY DENNISON CORPORATION**  
**PRELIMINARY SUPPLEMENTARY INFORMATION**  
(In millions, except %)  
**(UNAUDITED)**

	Six Months Ended					
	NET SALES		OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2023	2022	2023	2022	2023	2022
Materials Group	\$ 2,936.5	\$ 3,359.8	\$ 354.3	\$ 469.5	12.1%	14.0%
Solutions Group	1,219.0	1,336.5	44.3	174.9	3.6%	13.1%
Corporate Expense	N/A	N/A	(43.0)	(49.1)	N/A	N/A
<b>TOTAL FROM OPERATIONS</b>	<b>\$ 4,155.5</b>	<b>\$ 4,696.3</b>	<b>\$ 355.6</b>	<b>\$ 595.3</b>	<b>8.6%</b>	<b>12.7%</b>

**RECONCILIATION OF NON-GAAP SUPPLEMENTARY INFORMATION FROM GAAP**

	Six Months Ended			
	2023	2022	2023	2022
<b>Materials Group</b>				
Operating income and margins, as reported	\$ 354.3	\$ 469.5	12.1%	14.0%
Adjustments:				
Restructuring charges:				
Severance and related costs, net of reversals	18.8	1.1	0.6%	---
Asset impairment charges	1.1	---	0.1%	---
Loss on sales of assets	0.5	---	---	---
Gain on venture investment	---	(3.7)	---	(0.1%)
Adjusted operating income and margins (non-GAAP)	\$ 374.7	\$ 466.9	12.8%	13.9%
Depreciation and amortization	64.7	68.7	2.2%	2.0%
Adjusted EBITDA and margins (non-GAAP)	\$ 439.4	\$ 535.6	15.0%	15.9%
<b>Solutions Group</b>				
Operating income and margins, as reported	\$ 44.3	\$ 174.9	3.6%	13.1%
Adjustments:				
Restructuring charges:				
Severance and related costs	7.2	2.1	0.6%	0.1%
Asset impairment charges	0.6	---	0.1%	---
Outcomes of legal proceedings	53.8	1.0	4.4%	0.1%
Transaction and related costs	4.2	0.3	0.3%	---
Gain on sales of assets	---	(0.5)	---	---
Adjusted operating income and margins (non-GAAP)	\$ 110.1	\$ 177.8	9.0%	13.3%
Depreciation and amortization	81.6	76.5	6.7%	5.7%
Adjusted EBITDA and margins (non-GAAP)	\$ 191.7	\$ 254.3	15.7%	19.0%

Previously reported segment results have been recast to reflect our new operating structure.

-more-

**AVERY DENNISON CORPORATION**  
**PRELIMINARY SUPPLEMENTARY INFORMATION**  
(In millions, except ratios)  
**(UNAUDITED)**

	QTD			
	3Q22	4Q22	1Q23	2Q23
<b>Reconciliation of adjusted EBITDA from GAAP:</b>				
As reported net income	\$ 221.5	\$ 122.9	\$ 121.2	\$ 100.4
Other expense (income), net	(3.9)	1.5	17.8	68.3
Interest expense	21.2	22.5	26.4	31.9
Other non-operating expense (income), net	(1.4)	(5.3)	(4.6)	(6.6)
Provision for income taxes	51.0	46.3	47.1	39.8
Depreciation and amortization	72.0	73.5	72.3	74.0
Adjusted EBITDA (non-GAAP)	\$ 360.4	\$ 261.4	\$ 280.2	\$ 307.8
<hr/>				
Total Debt				\$ 3,545.5
Less: Cash and cash equivalents				217.1
Net Debt				\$ 3,328.4
Net Debt to Adjusted EBITDA LTM* (non-GAAP)				2.75

\*LTM = Last twelve months (3Q22 to 2Q23)

-more-

**AVERY DENNISON CORPORATION**  
**PRELIMINARY SUPPLEMENTARY INFORMATION**  
**(UNAUDITED)**

	<b>Second Quarter 2023</b>		
	Total Company	Materials Group	Solutions Group
<b>Reconciliation of organic sales change from GAAP:</b>			
Reported net sales change	(10.9%)	(12.6%)	(6.5%)
Reclassification of sales between segments	---	---	(0.1%)
Foreign currency translation	1.3%	1.0%	2.3%
Sales change ex. currency (non-GAAP) <sup>(1)</sup>	(9.6%)	(11.6%)	(4.4%)
Acquisitions	(0.8%)	---	(2.8%)
Organic sales change (non-GAAP) <sup>(1)</sup>	(10.4%)	(11.6%)	(7.2%)

	<b>Six Months Ended 2023</b>		
	Total Company	Materials Group	Solutions Group
<b>Reconciliation of organic sales change from GAAP:</b>			
Reported net sales change	(11.5%)	(12.6%)	(8.8%)
Reclassification of sales between segments	---	0.1%	(0.3%)
Foreign currency translation	2.2%	2.0%	2.7%
Sales change ex. currency (non-GAAP) <sup>(1)</sup>	(9.3%)	(10.5%)	(6.4%)
Acquisitions	(0.5%)	---	(1.7%)
Organic sales change (non-GAAP) <sup>(1)</sup>	(9.8%)	(10.5%)	(8.1%)

<sup>(1)</sup> Totals may not sum due to rounding.

# Second Quarter 2023 Financial Review and Analysis (preliminary, unaudited)

July 25, 2023

## 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. 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 2022 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 the financial schedules accompanying the earnings news release for the quarter (see Attachments A-4 through A-9 to news release dated July 25, 2023).

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; 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.
- **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.

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](http://www.investors.averydennison.com).

## Q2 adj. EPS up sequentially, modestly below expectations; expect further improvement in Q3

Label Materials continues to ramp sequentially

- Pace of volume improvement less steep than anticipated, particularly in June
- Margins remained strong; continues to improve sequentially

Apparel Solutions volume slowed in Q2; retailer and brand sentiment remains muted

Adoption of Intelligent Labels in new categories accelerating

- Expect overall IL growth of ~20% in 2023; modestly lower outlook due to apparel
- Expect 20%+ growth in coming years as apparel rebounds and new categories adopt

Expect Q3 to improve ~20 cents sequentially (comparable to Q2 sequential improvement)

- Label volume continues to ramp as impact of inventory destocking moderates
- Implementing incremental structural cost reduction actions

Anticipate \$10+ adj. EPS run-rate will be delayed a couple quarters

## Second quarter 2023 review

Reported EPS of \$1.24

- Increased accrual for legacy legal matter; preparing for appeal

Adj. EPS (non-GAAP) of \$1.92, up 13% sequentially

Net sales of \$2.1 bil.

- Sales change ex. currency (non-GAAP) down 9.6%
- Organic sales change (non-GAAP) down 10.4%

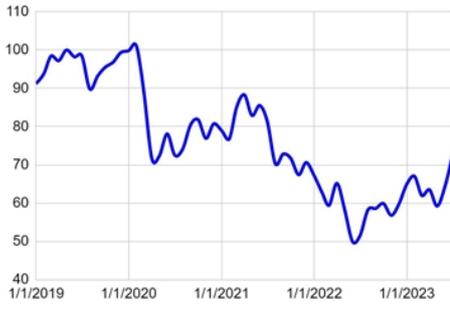
Reported operating income of \$166 mil.

- Adj. EBITDA (non-GAAP) of \$308 mil., up 10% sequentially

YTD adj. free cash flow (non-GAAP) of \$64 mil.

Maintaining strong balance sheet; deploying capital in disciplined manner

U.S. Consumer Sentiment



Source: University of Michigan

U.S. Business Sentiment (Mfg. PMI)

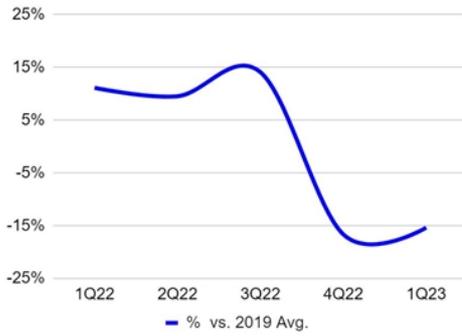


Source: Institute for Supply Management

Avg. AVY Label Volume (NA + Europe)

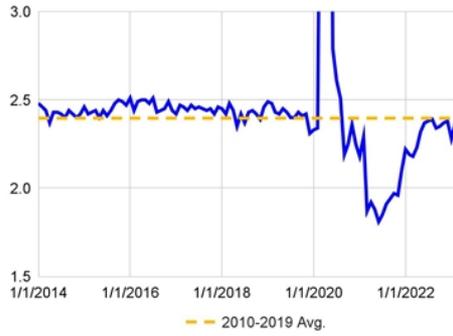


Apparel Imports (US + Europe)



Source: Otxa and Eurostat

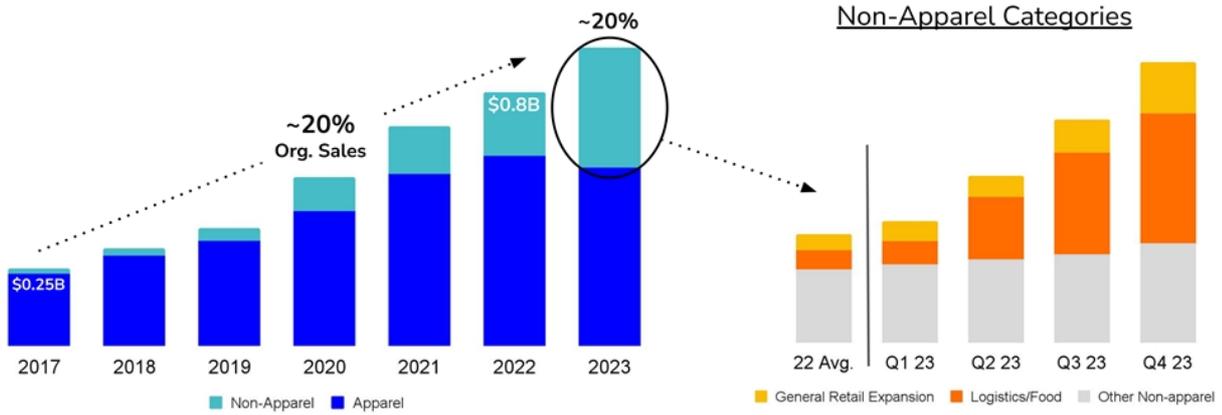
U.S. Apparel Inventory to Sales Ratio



Source: U.S. Census Bureau

- Economic indicators conflicting
- Business and consumer sentiment relatively low
- Label volume continues to improve as destocking wanes
- Revised public data shows higher apparel inventory
- Apparel imports starting to rebound

# Intelligent Labels



- Expect IL growth of ~20% in 2023
- Q2 2023 organic sales roughly flat; non-apparel up ~50%, offset by decline in apparel
- Non-apparel programs to further accelerate in H2, particularly in logistics and food
- As apparel rebounds, continue to expect 20%+ growth in coming years

## Quarterly sales trend analysis

	2Q22	3Q22	4Q22	1Q23	2Q23
<b>Reported Sales Change</b>	<b>11.7%</b>	<b>11.8%</b>	<b>(7.2%)</b>	<b>(12.1%)</b>	<b>(10.9%)</b>
Organic Sales Change <sup>(1)</sup>	11.3%	15.5%	(0.9%)	(9.2%)	(10.4%)
Acquisitions/Divestitures	5.4%	3.5%	0.1%	0.2%	0.8%
Sales Change Ex. Currency <sup>(1),(2)</sup>	16.7%	19.0%	(0.8%)	(9.1%)	(9.6%)
Currency Translation	(5.0%)	(7.2%)	(6.4%)	(3.1%)	(1.3%)
<b>Reported Sales Change<sup>(2)</sup></b>	<b>11.7%</b>	<b>11.8%</b>	<b>(7.2%)</b>	<b>(12.1%)</b>	<b>(10.9%)</b>

(1) Non-GAAP

(2) Totals may not sum due to rounding

## Quarterly sales trend analysis (cont.)

	Organic Sales Change				
	2Q22	3Q22	4Q22	1Q23	2Q23
Materials Group	14%	19%	2%	(9%)	(12%)
Solutions Group	5%	7%	(8%)	(9%)	(7%)
<b>Total Company</b>	<b>11%</b>	<b>16%</b>	<b>(1%)</b>	<b>(9%)</b>	<b>(10%)</b>
<b>Total Company Sales Change Ex. Currency</b>	<b>17%</b>	<b>19%</b>	<b>(1%)</b>	<b>(9%)</b>	<b>(10%)</b>

## Sales change and operating margin comparison

### Q2 Sales Change

	Reported	Ex. Currency	Organic
Materials Group	(12.6%)	(11.6%)	(11.6%)
Solutions Group	(6.5%)	(4.4%)	(7.2%)
Total Company	(10.9%)	(9.6%)	(10.4%)

	Reported Operating Margin		Adj. EBITDA Margin (non-GAAP)	
	2Q23	2Q22	2Q23	2Q22
Materials Group	13.1%	14.6%	15.7%	16.7%
Solutions Group	(1.2%)	12.9%	15.8%	19.0%
Total Company	7.9%	13.1%	14.7%	16.4%

## Materials Group

**Reported sales** decreased 12.6% to \$1.5 bil.

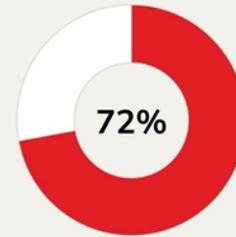
Sales down 11.6% ex. currency and organically

- Label materials down mid-teens on organic basis
  - Lower volume driven primarily by inventory destocking
  - Volume was up sequentially, particularly in Europe, as the negative impact of destocking moderated
- Graphics and Reflectives up high-single digits organically
- Performance Tapes and Medical down low-to-mid single digits organically

**Reported operating margin** decreased 150 bps to 13.1%

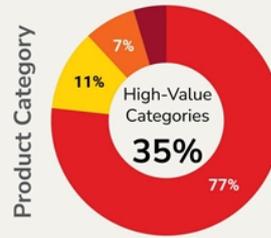
- Strong adj. EBITDA margin of 15.7%, up sequentially 150 bps
- Adj. EBITDA margin decreased 100 bps compared to prior year, as productivity and temporary cost-saving actions largely offset lower volume/mix

Adj. EBITDA margin to improve sequentially



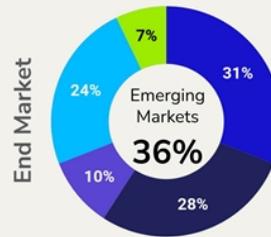
AVY '22 Sales by Segment

- Materials Group
- Solutions Group



Materials Group 2022 Sales by Product

- Label Materials
- Graphics & Reflectives
- Performance Tapes & Medical
- Other



Materials Group 2022 Sales by Geography

- U.S. & Canada
- Western Europe
- E. Europe & MENA
- Asia Pacific
- Latin America

Second Quarter 2023 Results

## Solutions Group

**Reported sales** decreased 6.5% to \$615 mil.

Sales down 4.4% ex. currency and 7.2% organically

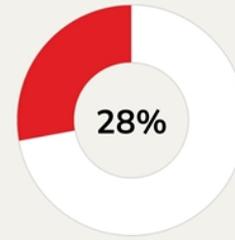
- High-value categories up low-single digits organically
- Base solutions down high-teens organically; retailer and brand sentiment remains muted

**Reported operating margin** decreased ~14 pts to (1.2%);

increased accrual for legacy legal matter; preparing for appeal

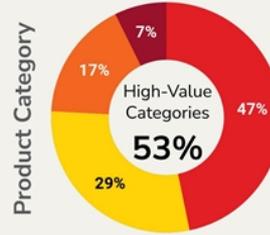
- Adj. EBITDA margin decreased 320 bps to 15.8% driven by lower volume and growth investments, partially offset by productivity and temporary cost-saving actions

Adj. EBITDA margin to improve sequentially



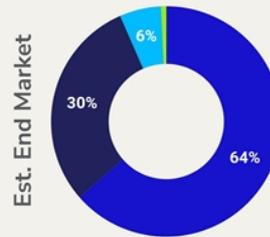
AVY '22 Sales by Segment

- Materials Group
- Solutions Group



Solutions Group 2022 Sales by Product

- Base Solutions
- Intelligent Labels
- Vestcom
- Ext. Embellishments



Solutions Group 2022 Sales by Geography

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

## EPS Guidance

**Q3 2023**

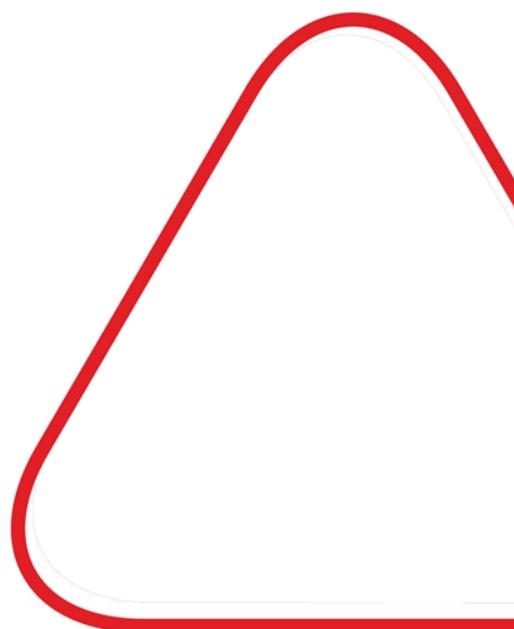
<b>Reported EPS</b>	<b>\$1.70 – \$1.90</b>
Add Back:	
<b>Est. restructuring costs and other items</b>	<b>~\$0.30</b>
<b>Adjusted EPS (non-GAAP)</b>	<b>\$2.00 – \$2.20</b>

- Q3 2023 EPS to increase sequentially
  - Volumes ramping in labels and non-apparel IL
  - Year-over-year organic sales change comparable to H1
  - Implementing incremental structural cost reduction actions
- Expect further sequential improvement in Q4

### **Additional full-year considerations**

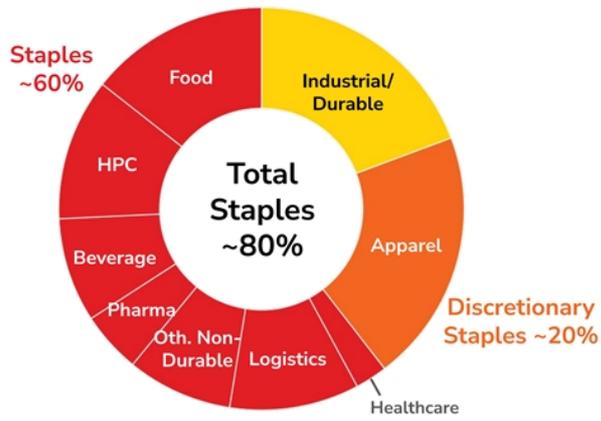
- Incremental savings of ~\$65 mil. from restructuring actions, net (previously ~\$50 mil.)
- Fixed and IT capital spend of ~\$325 mil. (previously ~\$350 mil.)
- Currency translation headwind to FY operating income of ~\$15 mil. at recent rates
- Tax rate in mid-20% range

# Appendix

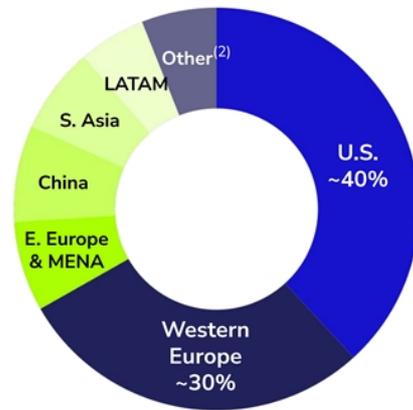


## Broad exposure to diverse end markets

Sales by End Market Category<sup>(1)</sup>

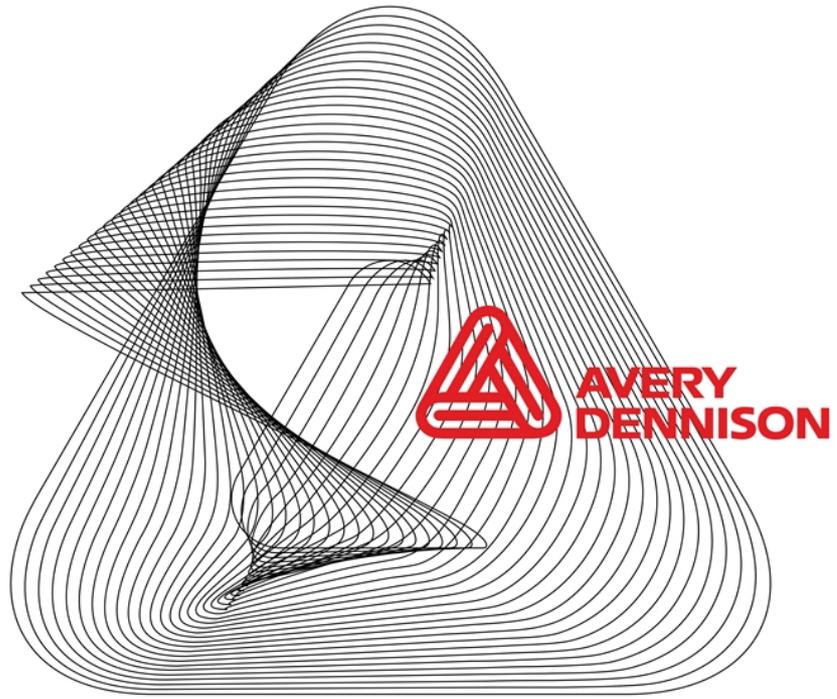


Sales by Geographic End Market<sup>(1)</sup>



(1) FY22 sales

(2) Includes Australia, Canada, Japan, New Zealand, and South Africa



© 2023 Avery Dennison Corporation. All rights reserved. Avery Dennison and all other Avery Dennison brands, product names and codes are trademarks of Avery Dennison Corporation. All other brands or product names are trademarks of their respective owners. Fortune 500® is a trademark of Time, Inc. Branding and other information on any samples depicted is fictitious. Any resemblance to actual names is purely coincidental.