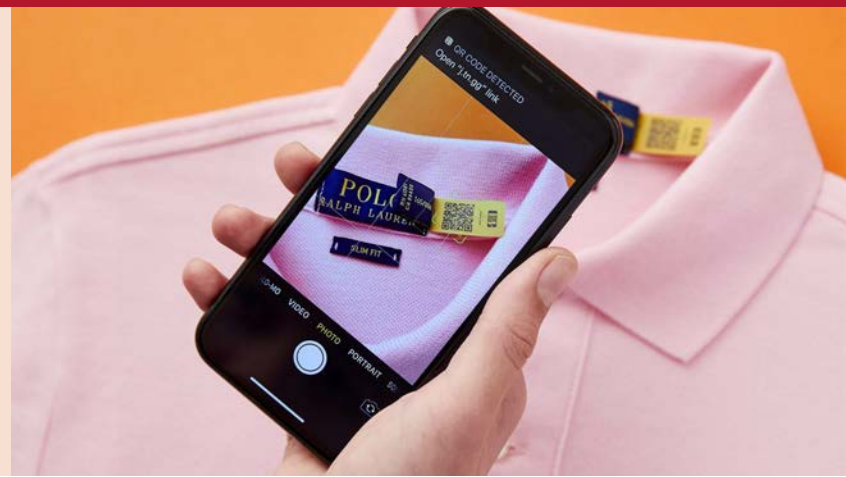




# Investor Day

March 2021



## 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 and/or foreign currency fluctuations from global economic conditions, political uncertainty, changes in environmental standards and governmental regulations, including as a result of the coronavirus/COVID-19 pandemic; (ii) competitors' actions, including pricing, expansion in key markets, and product offerings; (iii) 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; and (iv) 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 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; and fluctuations in foreign currency exchange rates and other risks associated with foreign operations, including in emerging markets.
- Our Business – changes in our markets due to competitive conditions, technological developments, environmental standards, laws and regulations, and customer preferences; fluctuations in demand affecting sales to customers; execution and integration of acquisitions; selling prices; fluctuations in the cost and availability of raw materials and energy; the impact of competitive products and pricing; 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, including cyber-attacks or other intrusions to network security; successful installation of new or upgraded information technology systems; and data security breaches.
- Human Capital – recruitment and retention of employees; fluctuations in employee benefit costs; and collective labor arrangements.
- Our Indebtedness – credit risks; our ability to obtain adequate financing arrangements and maintain access to capital; volatility of financial markets; fluctuations in interest rates; 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 and impact of legal and regulatory proceedings, including with respect to environmental, health and safety, anti-corruption 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 2020 Form 10-K, filed with the Securities and Exchange Commission on February 25, 2021.

**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 that are prepared in accordance with GAAP. Based upon feedback from investors and financial analysts, we believe that the supplemental non-GAAP financial measures we provide are useful to their assessments of our performance and operating trends, as well as liquidity. In accordance with Regulation G, reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures, including limitations associated with these non-GAAP financial measures, are provided in Appendix B of this document.

# Strategic Overview

**Mitch Butier**

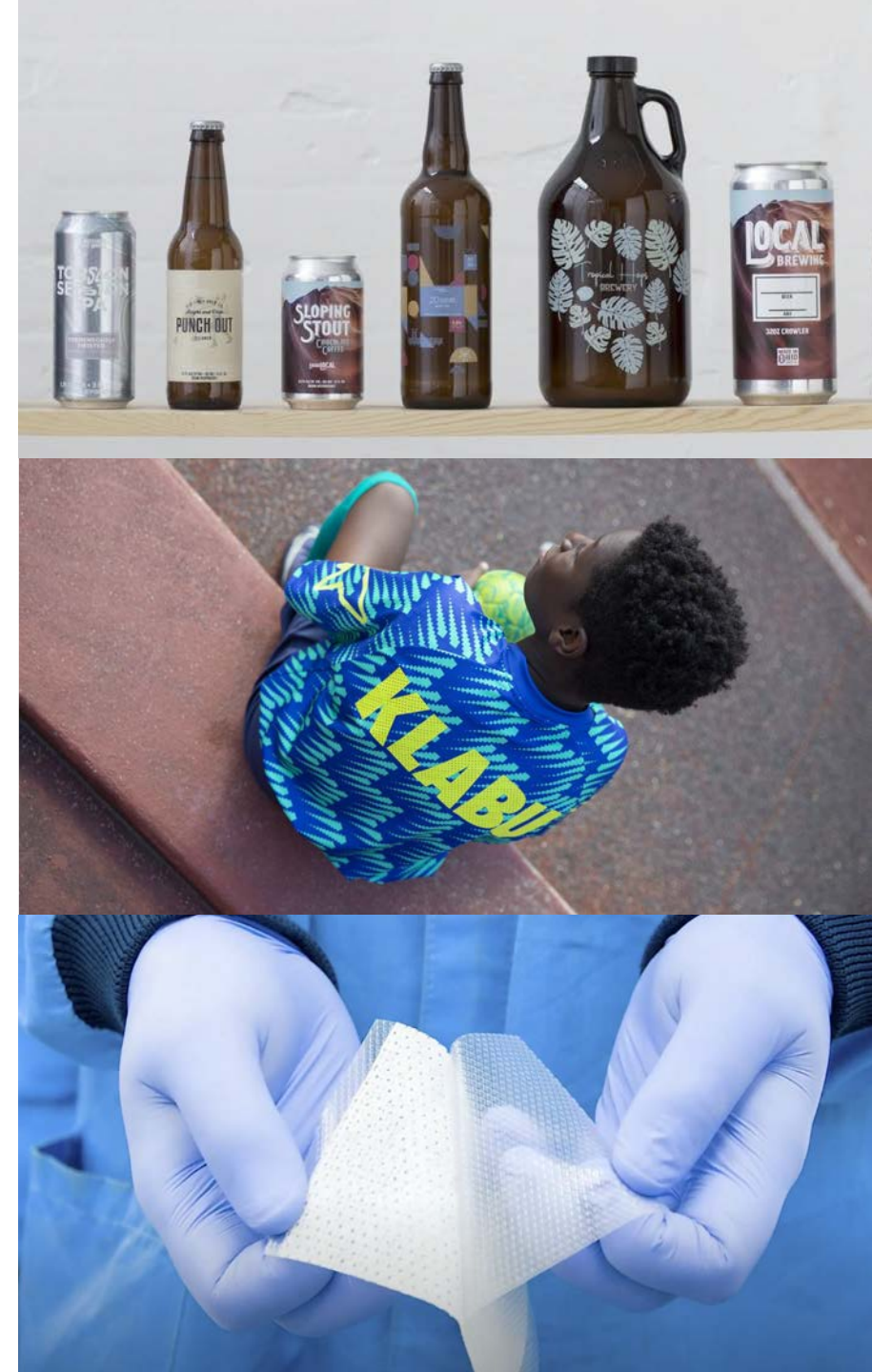
Chairman, President & CEO



## 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
  - Effectively allocate capital
  - Lead in an environmentally and socially responsible manner
- Consistently delivering against our long-term objectives and once again raising the bar

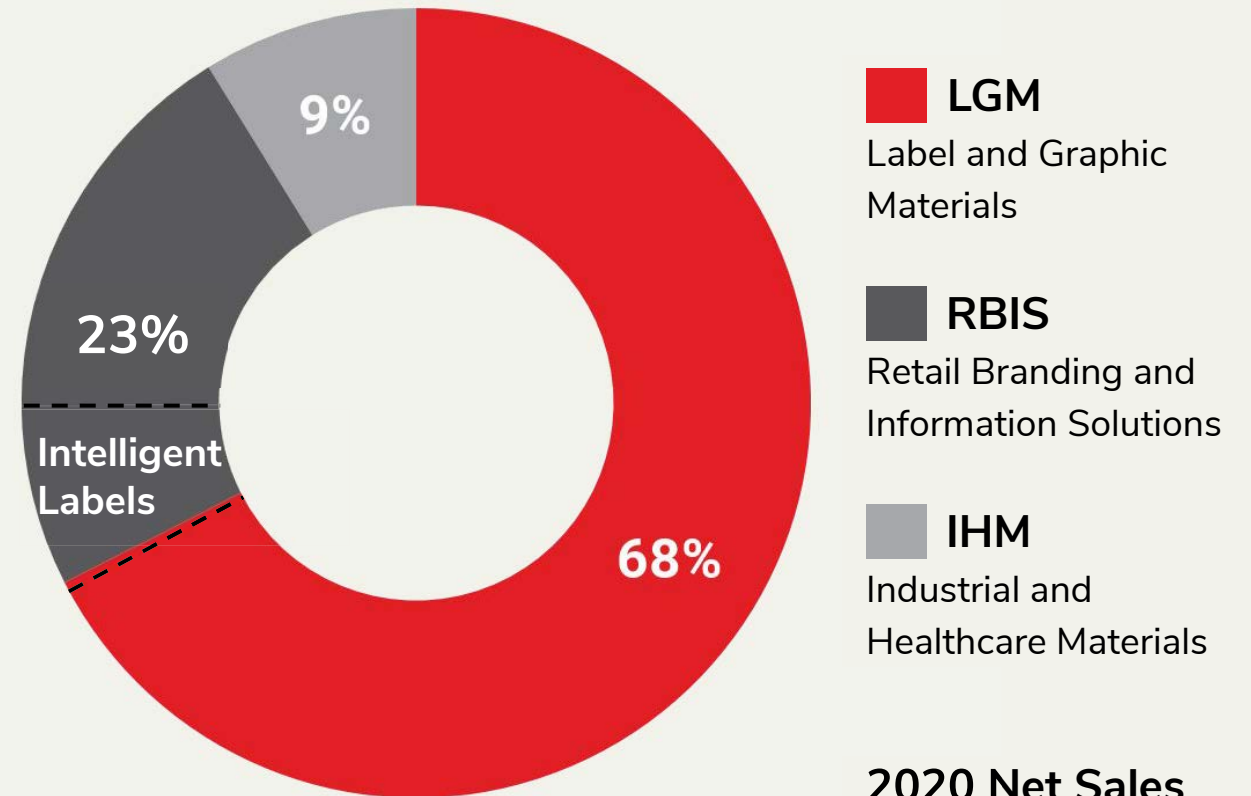




## Avery Dennison at a glance

- **Recognized industry leader**
  - More than 32,000 employees
  - Operations in more than 50 countries
  - Materials manufacturer of branding and information labeling solutions and functional materials for consumer goods, apparel, food, logistics, industrial and healthcare industries
- **Sustainable competitive advantages**
  - Global scale; ~190 operating locations
  - Innovative materials science capabilities; vertically integrated in adhesives
  - Innovative process technology
  - Operational and commercial excellence

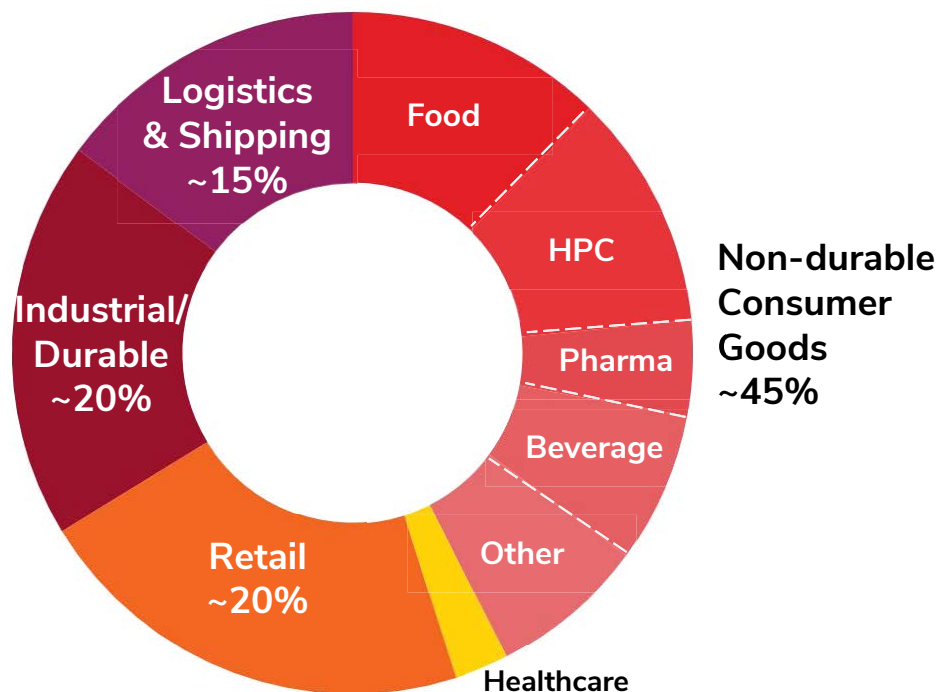
Sales by Segment



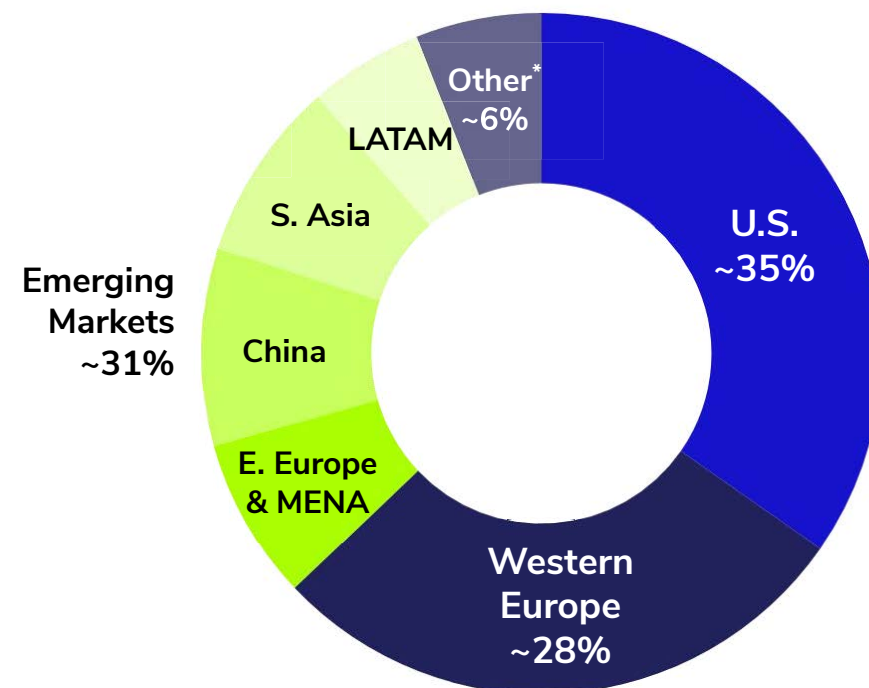
2020 Net Sales  
**\$7.0 billion**

## Broad exposure to diverse end markets

2020 Sales by Product Category



2020 Sales by End Market, est.



\*Includes Australia, Canada, Japan, New Zealand, and South Africa

## Catalysts for consistent GDP+ top line growth

**High-value  
Categories  
~\$2.7B**

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

**Emerging  
Markets  
~\$2.2B<sup>(2)</sup>**

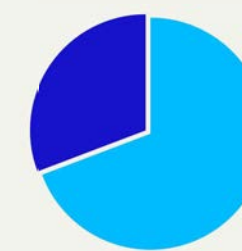
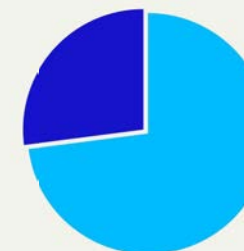
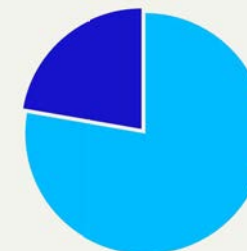
- Further penetration of self-adhesive label technology
- Increased per capita consumption

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

2010

2015

2020

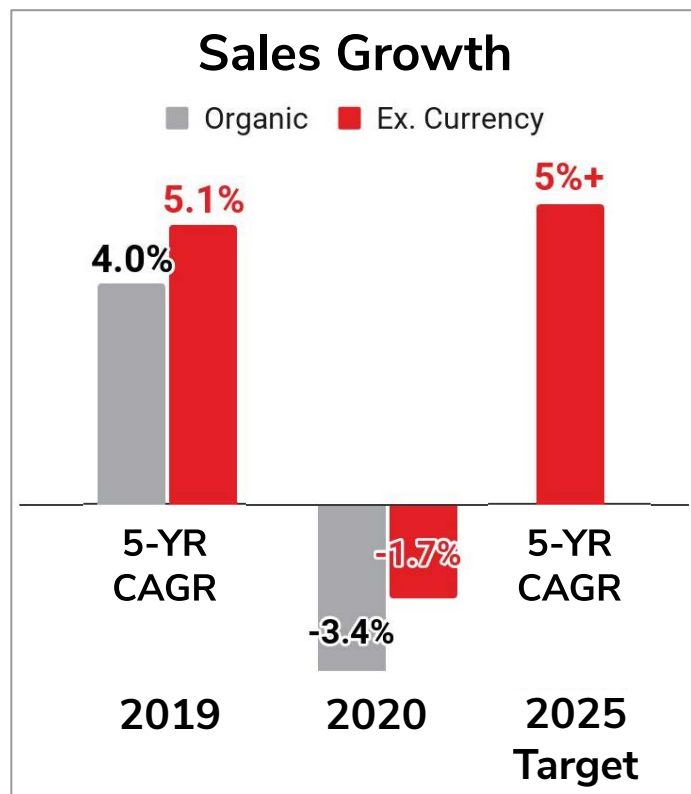


**~60% of total sales tied to one or both of these categories**

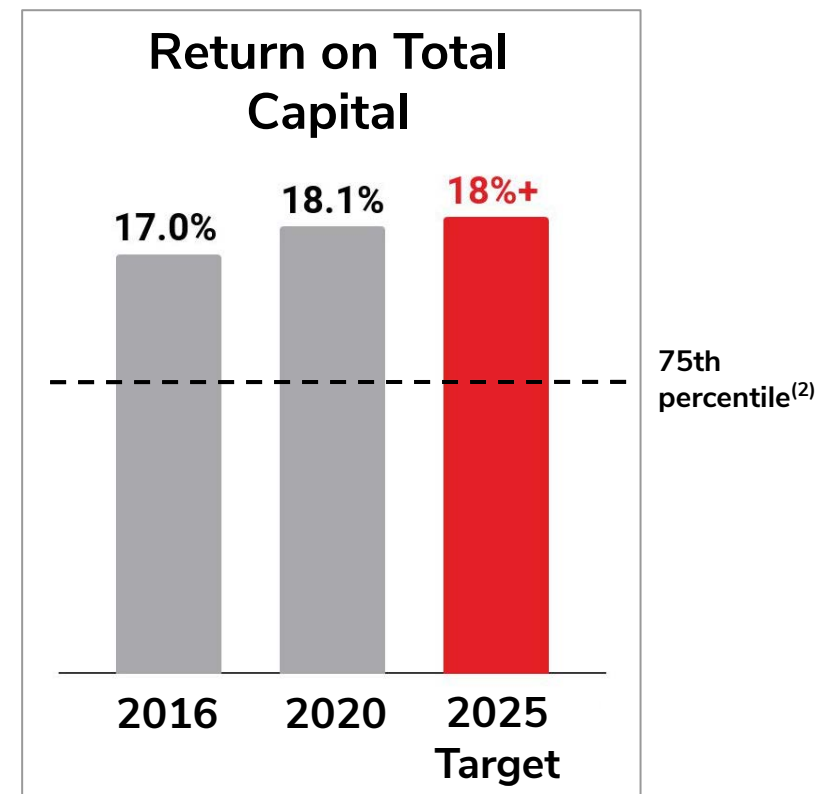
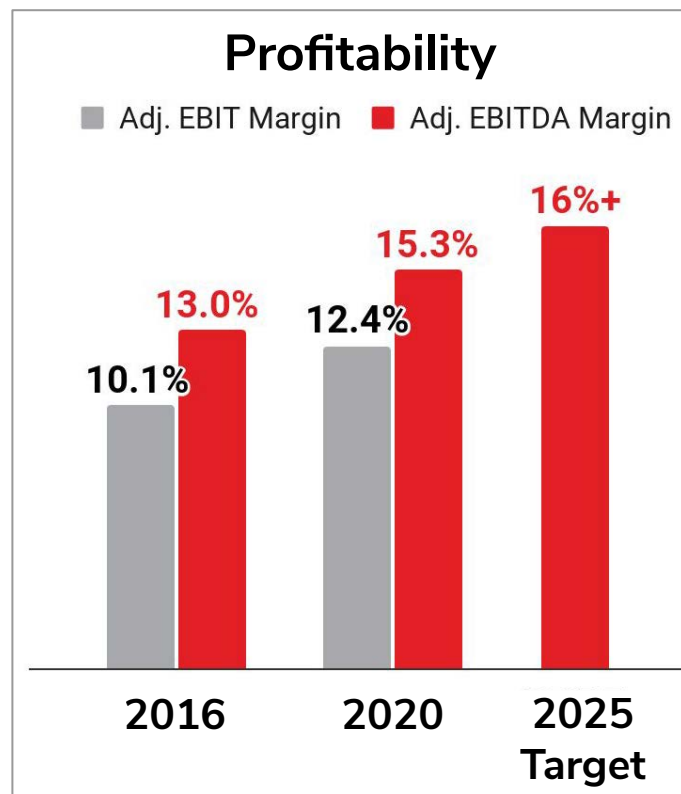
(1) Constant currency

(2) Approximately one-third of emerging market sales are in high-value categories, which are included in the ~\$2.7B above.

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



Global GDP<sup>(1)</sup>      3.0%      -3.7%      3.7%

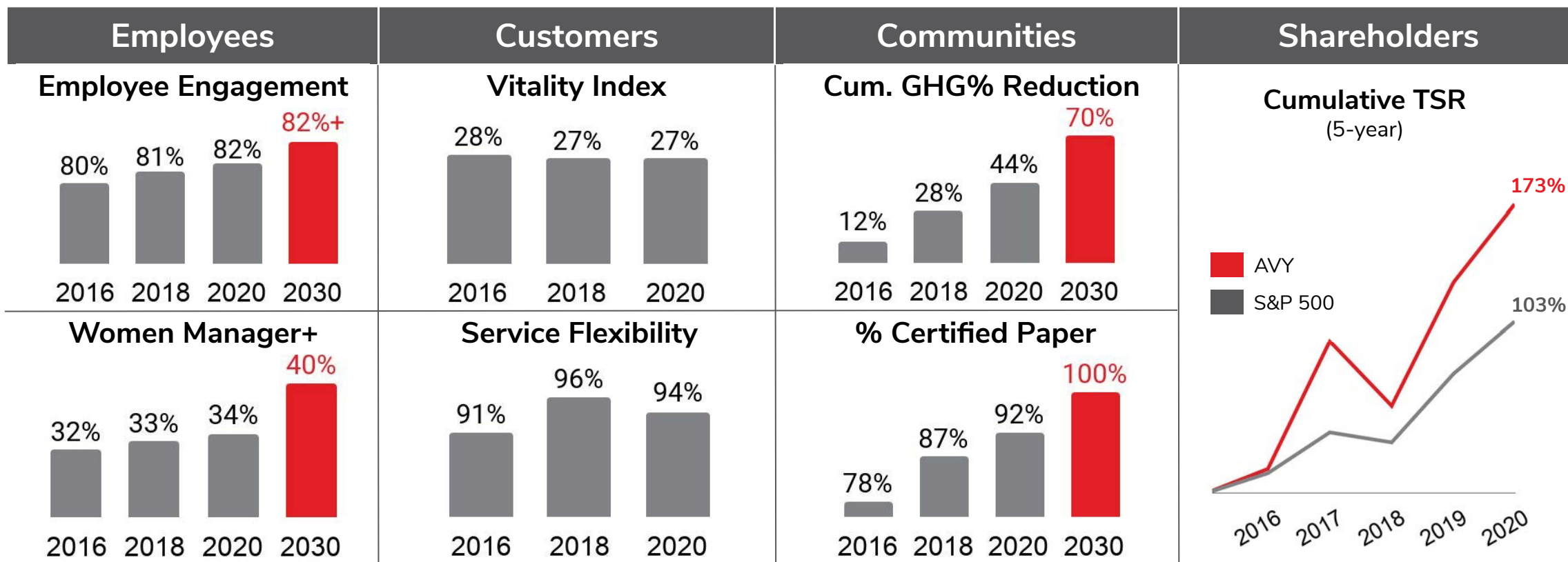


(1) Source: IHS Markit

(2) Refers to peer group used to benchmark relative TSR for performance units (see p. 69 of 2021 Proxy Statement)



# Consistently delivering for all stakeholders



Continuing to lead in an environmentally and socially responsible manner with New 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

# Engaged, diverse, and accountable Board of Directors



**Andres A. Lopez**  
President & CEO,  
O-I Glass, Inc.



**Anthony K. Anderson**  
Retired Vice Chair &  
Managing Partner,  
Ernst & Young LLP



**Bradley A. Alford**  
Retired Chairman &  
CEO, Nestlé USA



**Julia A. Stewart**  
Chair & CEO,  
Alurx, Inc.



**Ken C. Hicks**  
Chairman, President &  
CEO, Academy Sports  
+ Outdoors



**Mark J. Barrenechea**  
Vice Chair, CEO &  
CTO, OpenText  
Corporation



**Martha N. Sullivan**  
Retired CEO,  
Sensata Technologies  
Holding PLC



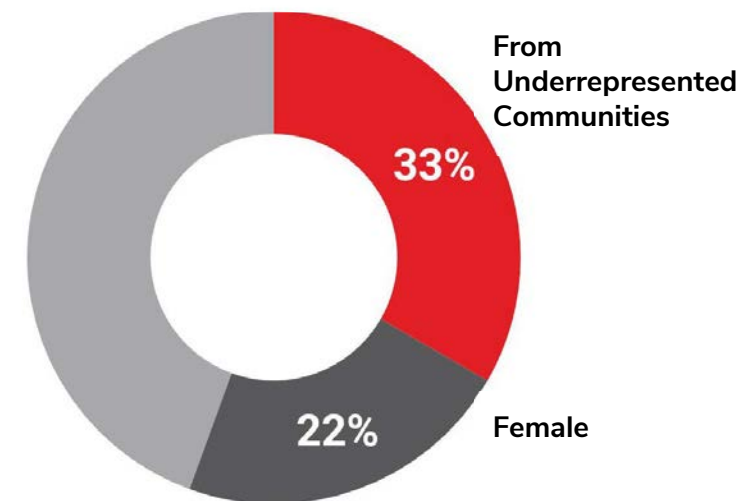
**Mitch R. Butier**  
Chairman, President &  
CEO, Avery Dennison



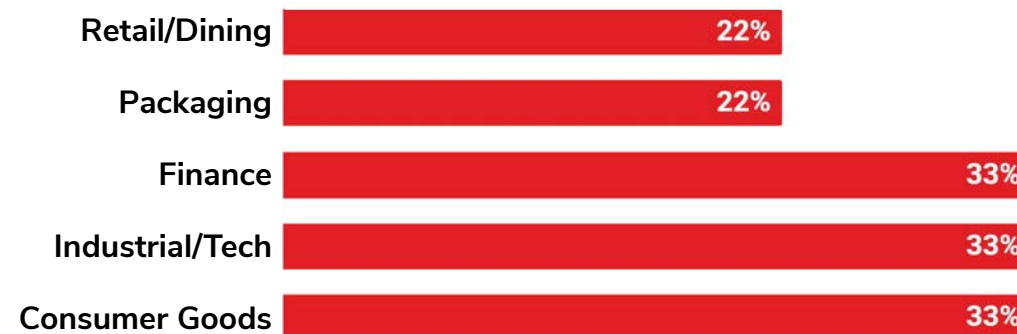
**Patrick T. Siewert**  
Managing Director & Partner,  
The Carlyle Group

**Peter K. Barker is retiring from the Board in April after 18+ years of service**

## Diverse Background



## Diverse Industry Experience



# Senior Leadership Team



**Mitch Butier**  
CEO

Born in the U.S.



**Jeroen Diderich**  
LGM  
North America

Born in The Netherlands



**Ronaldo Mello**  
LGM  
Latin America

Born in Brazil



**Francisco Melo**  
Intelligent Labels

Born in Portugal



**Hassan Rmaile**  
LGM  
EMENA

Born in Lebanon



**Anil Sharma**  
LGM  
Asia Pacific

Born in India



**Deon Stander**  
RBIS

Born in South Africa



**Greg Lovins**  
Finance

Born in the U.S.



**Danny Allouche**  
Strategy &  
Corporate  
Development

Born in Israel



**Deena Baker-Nel**  
Human  
Resources &  
Communications

Born in the U.S.



**Nick Colisto**  
Information  
Technology

Born in the U.S.



**Kamran Kian**  
Operations &  
Supply Chain  
Materials  
Businesses  
Born in Iran



**Ignacio Walker**  
Law

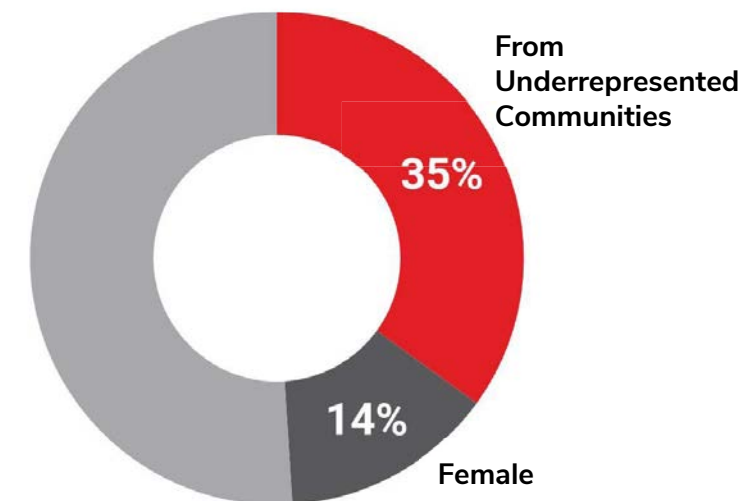
Born in Argentina



**Pascale Wautelet**  
Research &  
Development  
LGM

Born in Belgium

## Diverse Background



## International Experience

**93%** have lived and worked in more than one country

**50%** currently live in a country other than the one in which they were raised

# Label and Graphic Materials

**Jeroen Diderich**

VP/GM LGM North America

**Hassan Rmaile**

VP/GM LGM EMENA





# LGM 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
- Unparalleled presence in emerging markets

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





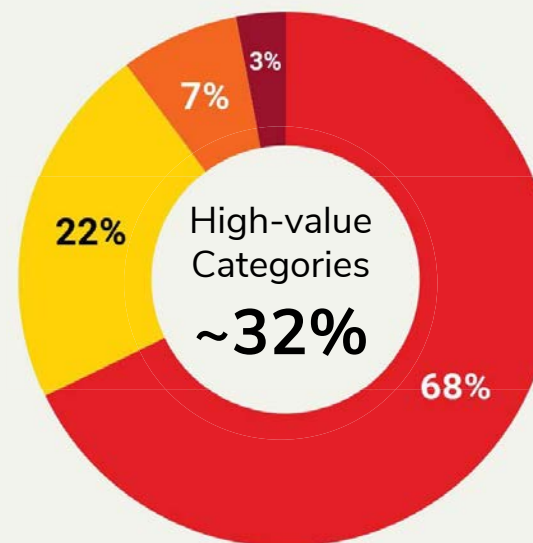
## LGM at a glance



### 2020 Financial Snapshot

Revenue	<b>\$4.7 bil.</b>
Sales Change Ex. Currency 5-YR CAGR	<b>4.0%</b>
Adj. EBITDA Margin	<b>17.3%</b>

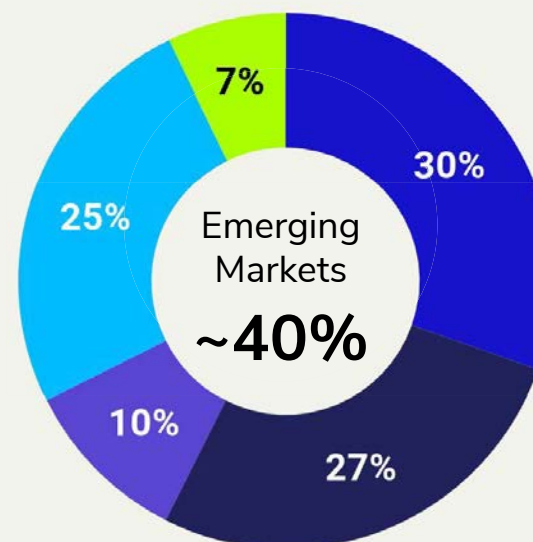
Product Category



2020 Sales by Product

- Base (Label & Graphics)
- Specialty/Durables Labels
- Specialty Graphics
- Reflectives

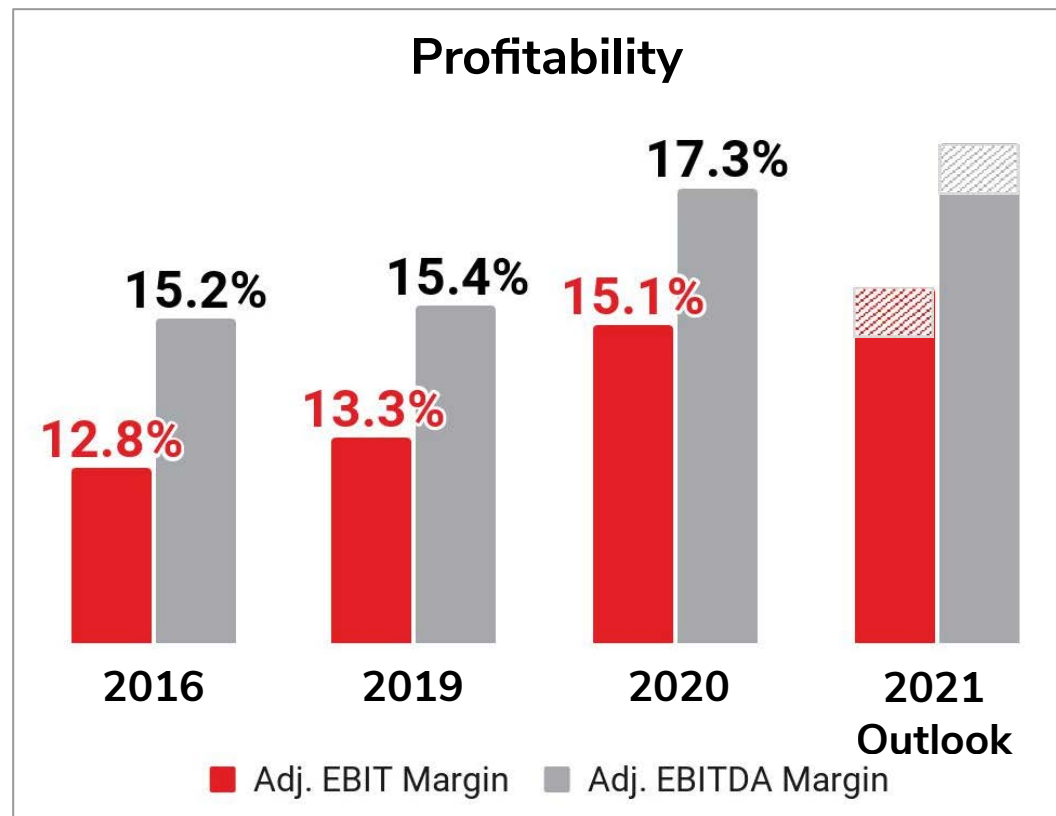
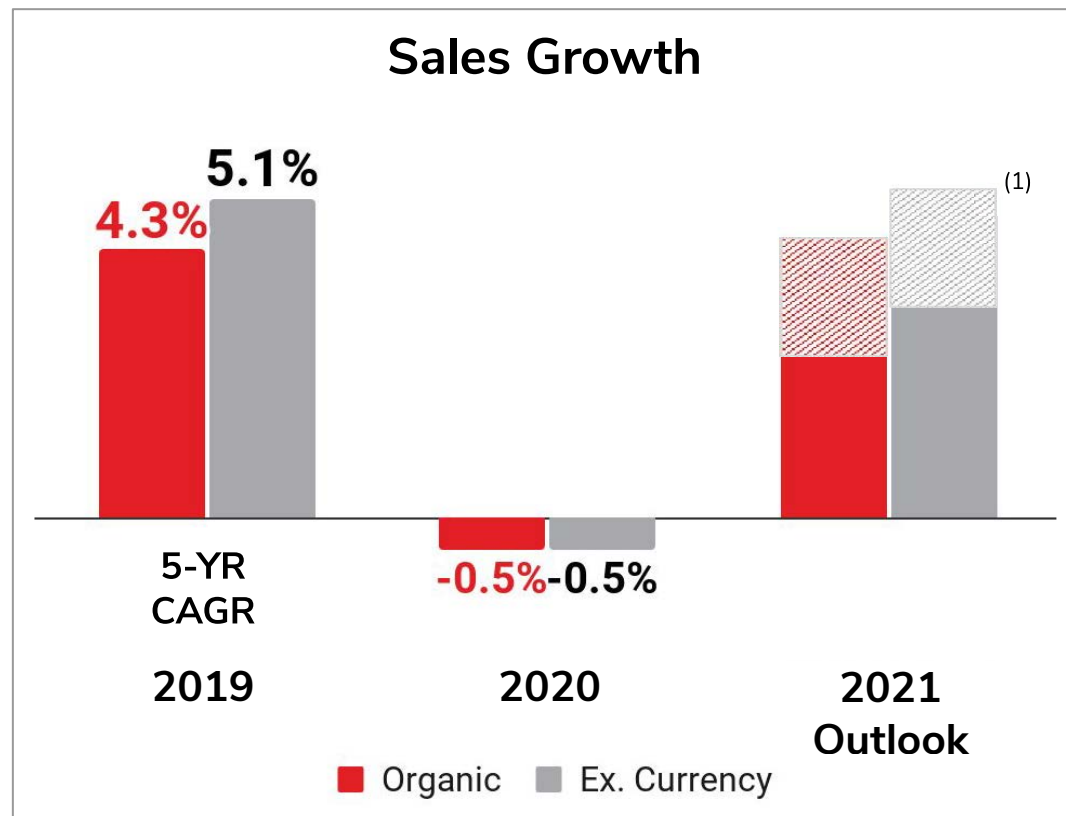
End Market



2020 Sales by Geography

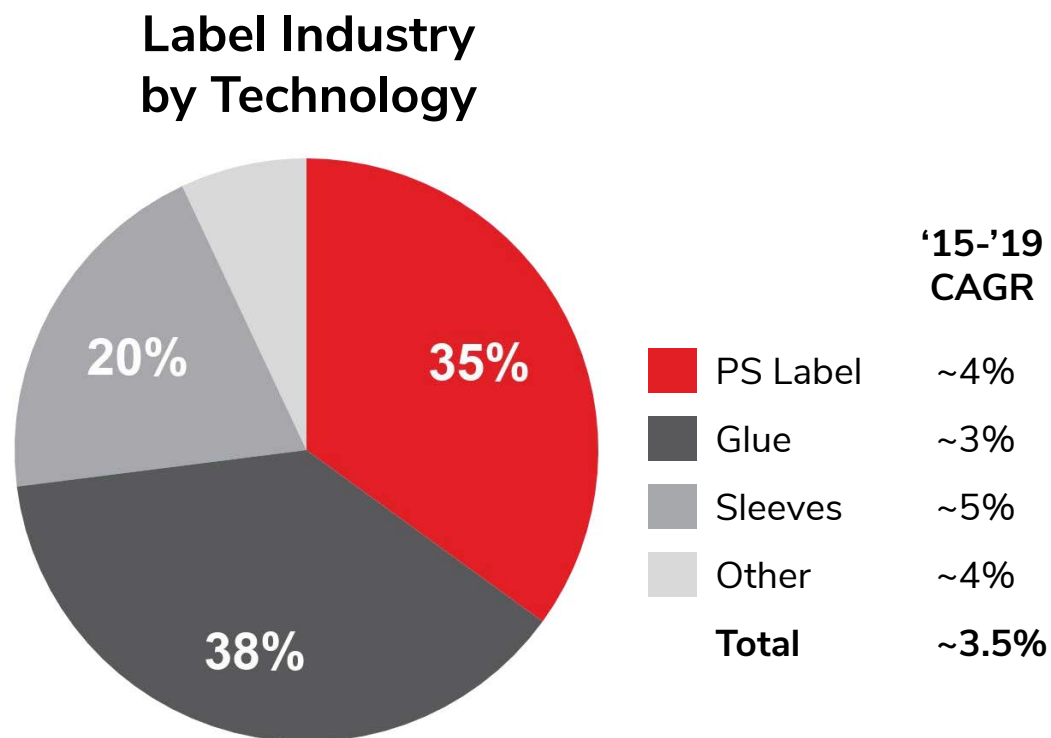
- U.S. & Canada
- Western Europe
- E. Europe & MENA
- Asia Pacific
- Latin America

## Solid sales growth and margin expansion over the past five years



(1) Reflects the impact of closed acquisitions as of 3/10/2021

## Pressure-sensitive (PS) label market consistently delivering GDP+ growth

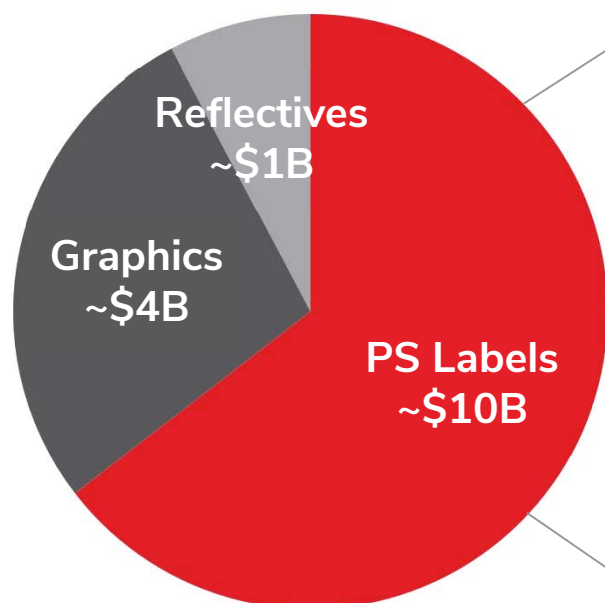


- PS labels provide greater shelf appeal and enhance the premiumization of packaging
- PS labels can be applied to almost every packaging type (boxes, plastic, glass, cans, trays, flexible packages, etc.)
- PS labels continue to outpace overall label industry growth
- PS labels offer solutions for key industry trends in sustainability and information management

Sources: AWA, TLMI, FINAT, and internal analysis; pie chart represents global volume  
March 2021 Investor Day

# LGM serves attractive, diverse end-user applications, supported by secular trends

**LGM Market Segments Size**



**PS Label End Segments**

Logistics	20%
Food	20%
Home & Personal Care	15%
Durables/Pharma	15%
Retail	10%
Beverage	10%
Other	10%

## Key Trends

- Decoration: premium look & shelf-appeal
- E-commerce & logistics
- Hygiene & freshness requirements
- Information requirements/legislation
- Sustainability
- Convenience & consume-at-home

## Opportunity to expand the impact of labels with smart “intelligent label” functionality

- Improve productivity of supply chains
- Reduce waste, enable tracking & tracing
- Provide authenticity checking
- Support the circularity of packaging

Sources: TLMI, FINAT, and internal analysis

# Leading through operational excellence, scale and sustainable innovation

## Operational Excellence



- Industry leading quality & service
- Global presence
- Lean six sigma principles
- State-of-the-art process technology and automation

## Innovation



- Broad ecosystem engagement
- Global innovation centers
- Materials process engineering
- Growing IP-protected platforms
- Vertical integration in adhesives and films

## Sustainability



- Broadest sustainable portfolio
- Strong track record in GHG & energy reduction
- IL/RFID enables process automation, traceability, low cost



# Lead the industry in solutions that advance the circular economy

## Focus Areas

Clear Intent portfolio

### Reduce

(Coatweight, Liner, next-gen MDO)

### Enable recycling

(Cleanflake)

### Recycled content

(r-PET, r-PE, r-GMDO, r-PP, etc.)

### Responsible sourcing

(Bio-sourced materials)

New

### Sustainability in use

(Extended Durability)

Other

Enable liner and matrix recycling

## Enablers

Rebalance resources to drive sustainability

Sustainability by design

Ecosystem engagement with recyclers, NGOs, end users, suppliers

Leverage materials science fundamentals



## Our Target

**Sustainable solutions become the standard**

- **100%** of our Core Film and Paper Product categories will contain recycled or renewable content
- All regions will have labels that enable circularity of plastics
- Continued investment and industry collaboration in matrix and liner recycling
- Expand the adoption of Intelligent Labeling to enable our industries to communicate data, reduce waste and create smarter recycling processes

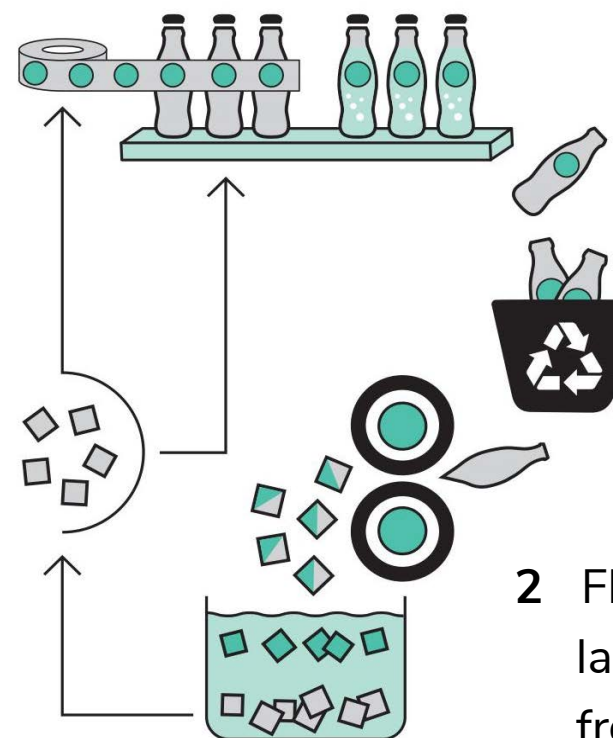
# Leading the industry in sustainability

Widest range of sustainable product solutions...



...and leading circular innovation with solutions like Clean-Flake\*

4 Clean bottle flakes for reuse



1 Bottles ground into flakes

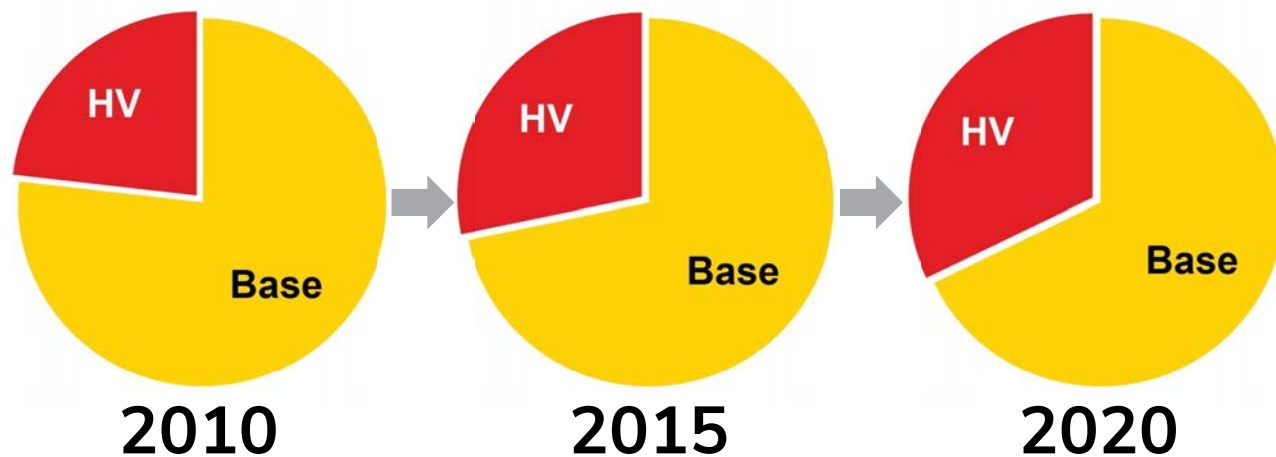
2 Flakes washed in bath; labels separated from flakes

3 Clean flakes sink & labels float

# Growth Catalyst #1: outsized growth in high-value categories

## Specialty Labels

- **Wine, Spirits & Craft Beer:** Premium look, shelf appeal
- **Pharma:** Cold chain Logistics, aging populations, health care
- **Durables:** Flame & heat retardancy in durable goods
- **Reclosure:** Freshness, multi-use, convenience, portability
- **Intelligence:** Connect physical to digital, frictionless, e-commerce



## Graphics & Reflective Solutions

- **GDP+** with favorable secular trends
- Driven by **personalization, branding & infrastructure**
- **Unique expertise** in cast films, digital inks & optics
- **Strong channel, converter & end user access**



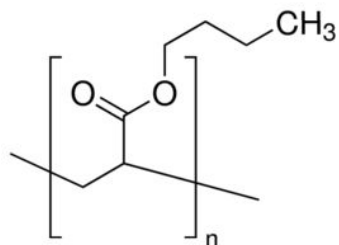


# Deep applications expertise delivering highly differentiated solutions

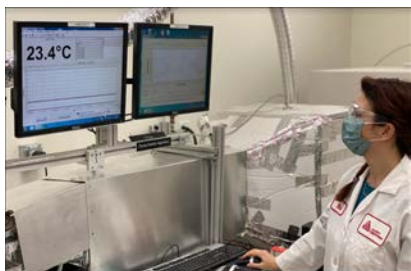
## Anticipating Customer Needs

- Origin traceability
- Deep freeze capability
- Authenticity in pharmaceuticals
- Battery flame/heat resistance

## Materials Science



## Engineering Technology



## Unmet Needs



## World Class Solutions

- Automotive aftermarket Graphics
- Certified compostable laminates
- Reclosure solutions

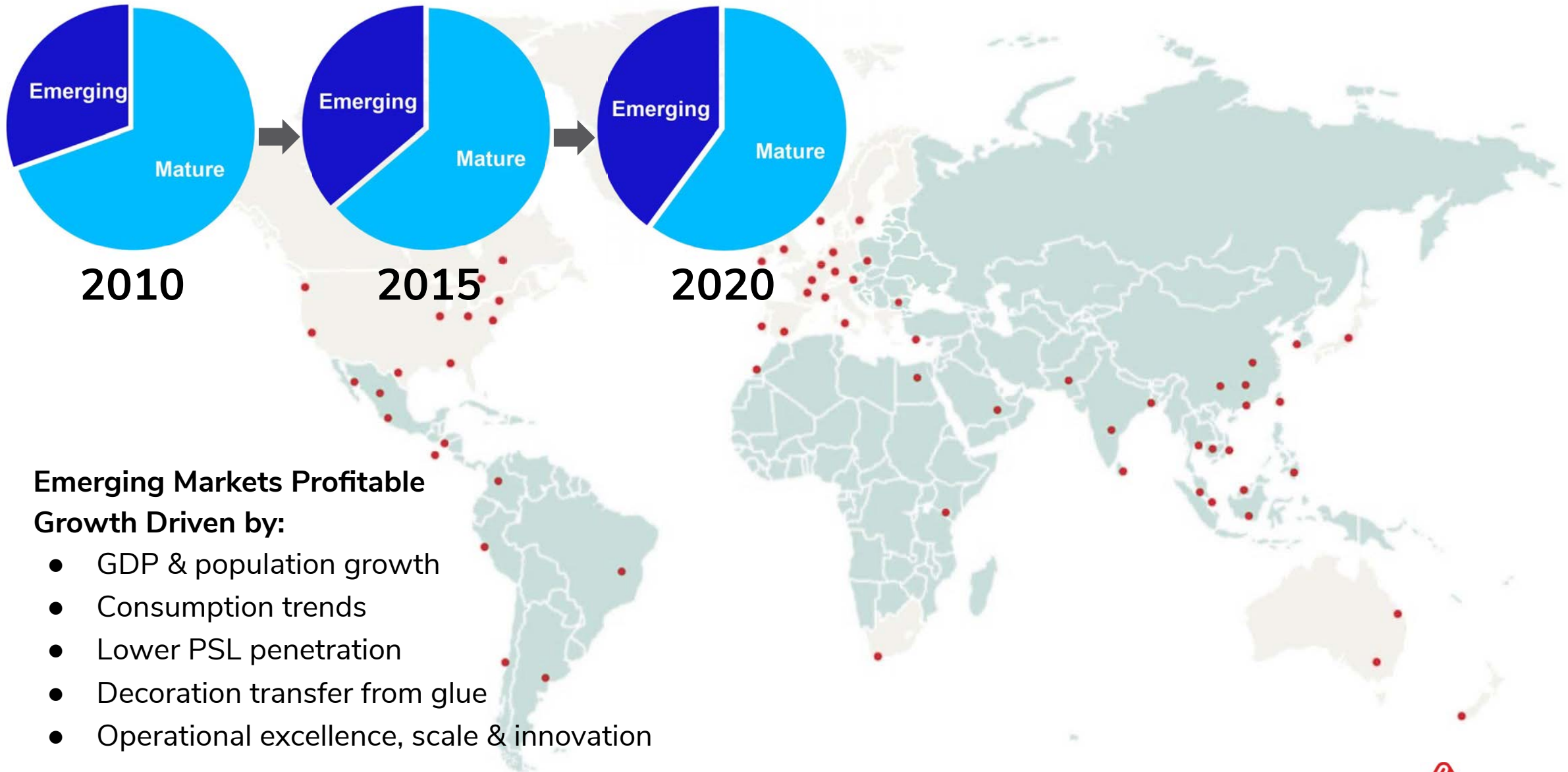


## Market leading Innovations



## Our Expertise

## Growth Catalyst #2: emerging markets offer unique growth attributes





# Industrial and Healthcare Materials

Greg Lovins  
SVP and CFO



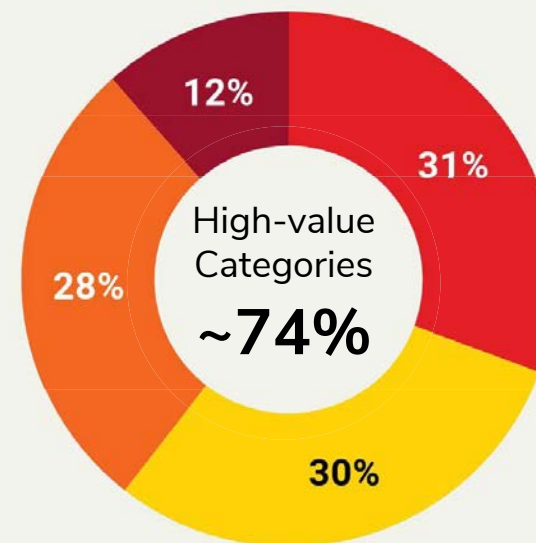
# IHM at a glance



## 2020 Financial Snapshot

Revenue	<b>\$626 mil.</b>
Sales Change Ex. Currency 5-YR CAGR	<b>5.4%</b>
Adj. EBITDA Margin	<b>14.9%</b>

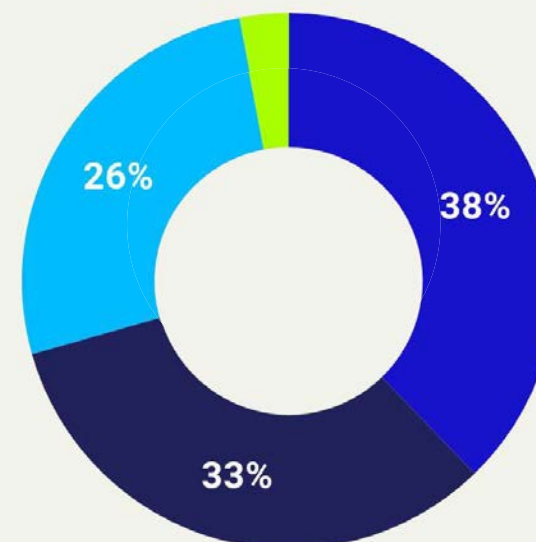
Product Category



2020 Sales by Product

- Automotive
- Other Industrial
- Healthcare
- Retail

Estimated End Market



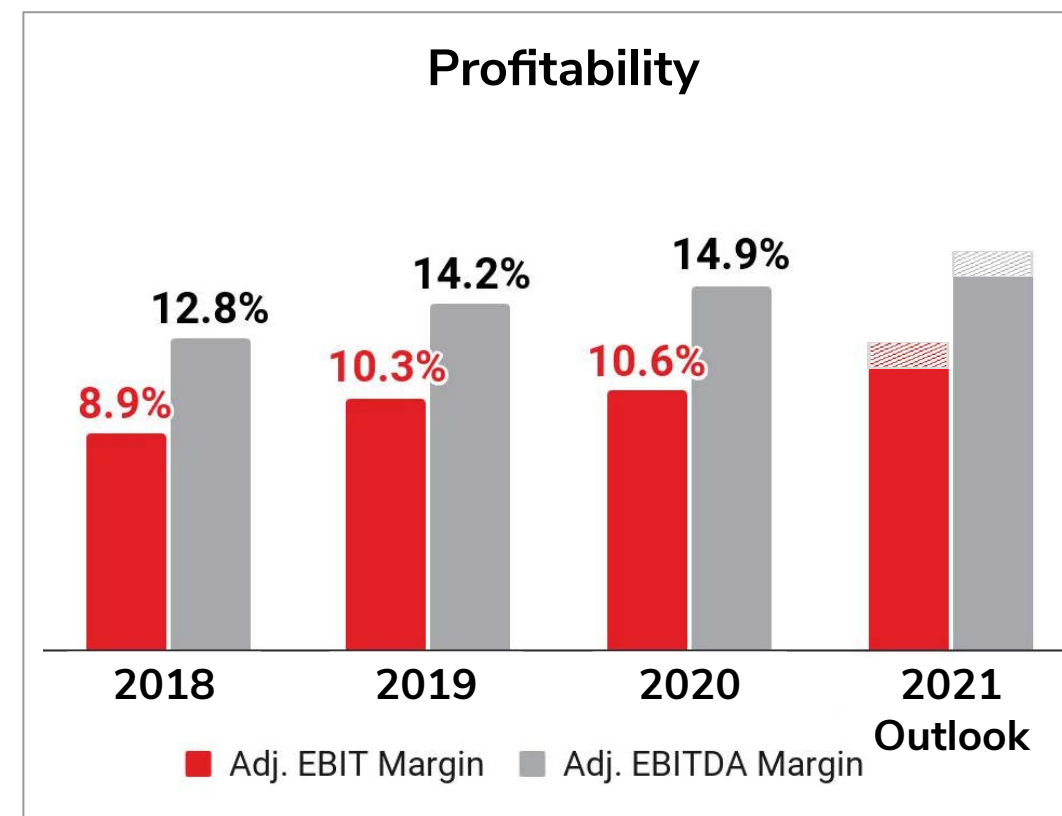
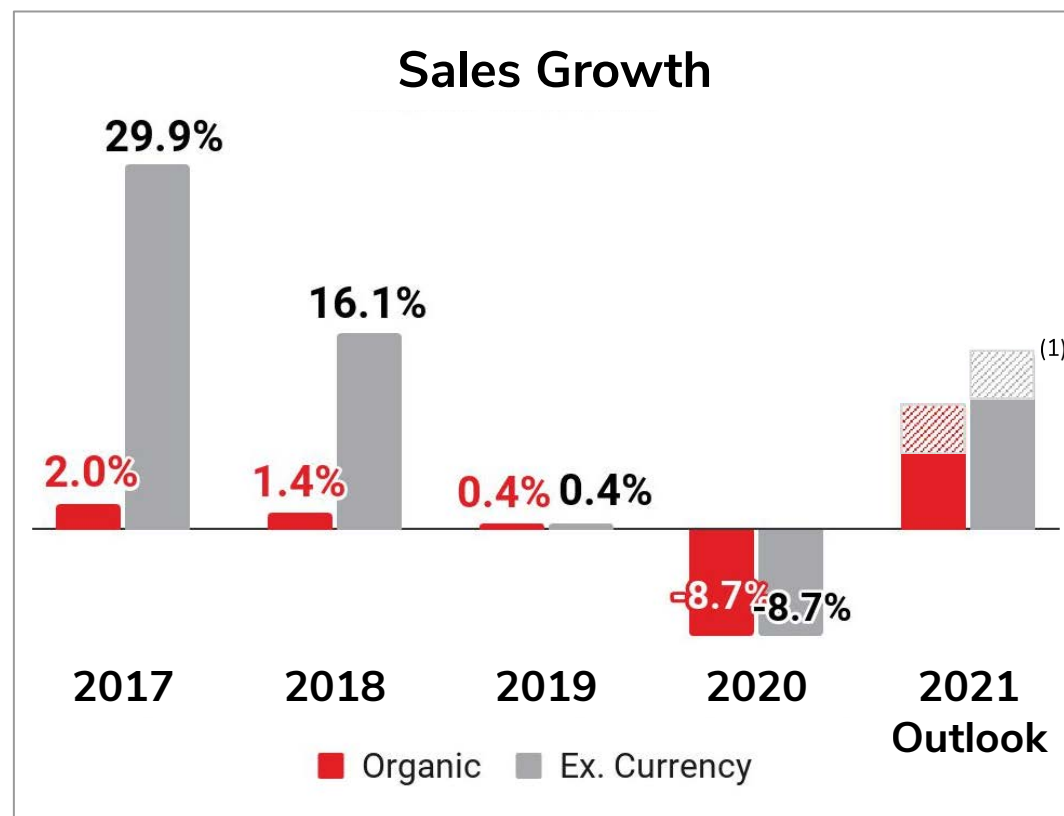
2020 Sales by Geography

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

## Continuing to position IHM businesses for long-term value creation

- End markets are attractive, with strong growth opportunities
  - Markets, while more cyclical, are growing above GDP with favorable secular trends (e.g., light-weighting & noise/vibration dampening)
  - AVY's leadership in coating, adhesives, and materials science position us for success
  - Gaining share in targeted industrial and medical applications
- Transforming IHM portfolio into stronger, more agile and more profitable businesses
  - EBITDA up ~200 bps since segment was created in 2017; further opportunity for expansion
  - Reducing complexity and costs through a leaner structure, smaller footprint and productivity
  - Leveraging LGM capabilities in operations, procurement and R&D
- Key strategies
  - Accelerating growth and profitability in industrial and medical tapes through differentiated solutions, robust new product development and tailored go-to-market strategies
  - Continuing to drive productivity
  - Compelling opportunities to expand capabilities through both organic investments and bolt-on acquisitions

## More cyclical end markets impacted recent results; underlying margin profile improving, with more to come



(1) Reflects the impact of closed acquisitions as of 3/10/2021



# Retail Branding and Information Solutions

Deon Stander  
VP/GM RBIS



## RBIS 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



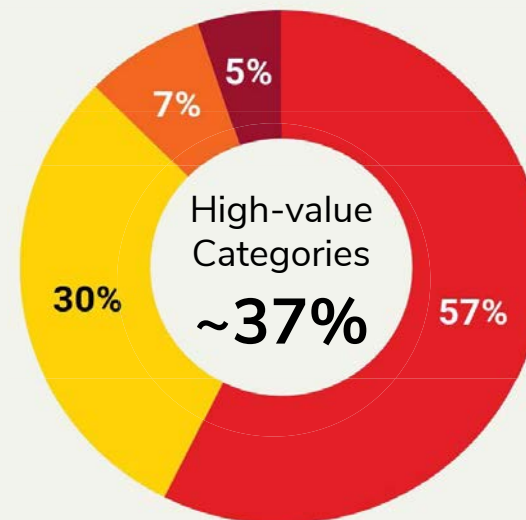
## RBIS at a glance



### 2020 Financial Snapshot

Sales	<b>\$1.6 bil.</b>
Sales Change Ex. Currency 5-YR CAGR	<b>3.3%</b>
Adj. EBITDA Margin	<b>14.7%</b>

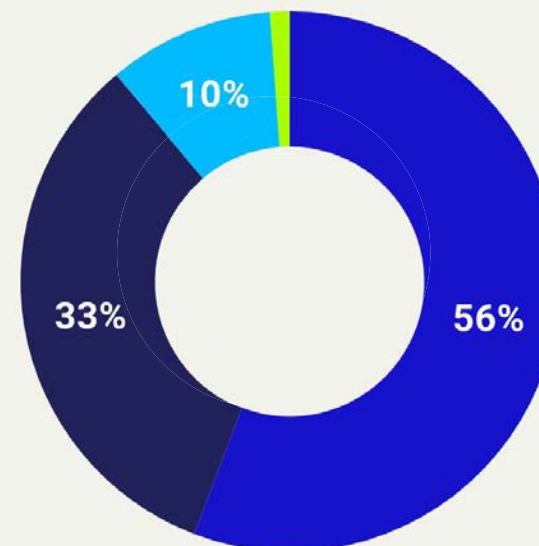
Product Category



2020 Sales by Product

- Base Tags & Labels
- Intelligent Labels/RFID
- Ext. Embellishments
- AIDC<sup>(1)</sup> Solutions

Estimated End Market



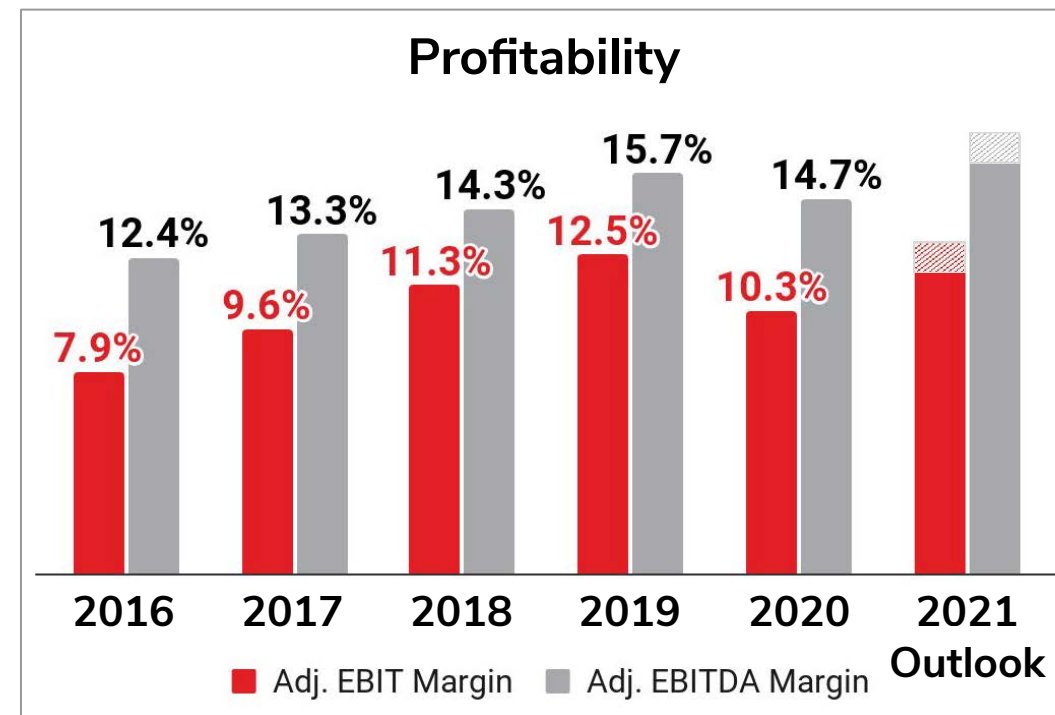
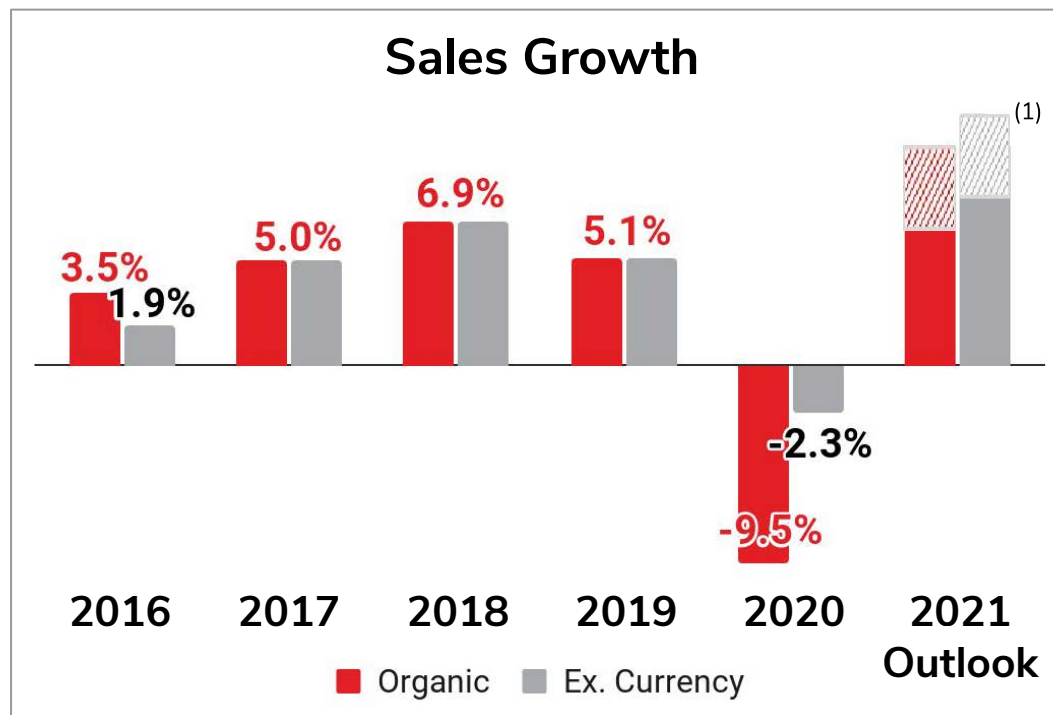
2020 Sales by Geography

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

(1) Automatic Identification and Data Capture ("AIDC")



## Business model transformation and growth in high-value categories has driven significant value creation



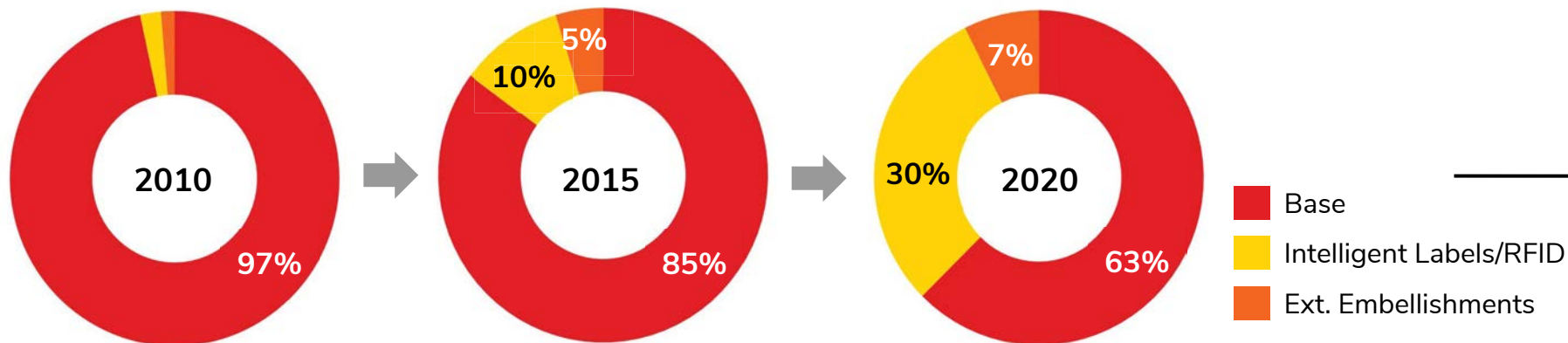
Simpler, faster, more competitive strategy in base has transformed cost structure, enabling further success in the marketplace; Intelligent Label leadership accelerating growth

(1) Reflects the impact of closed acquisitions as of 3/10/2021



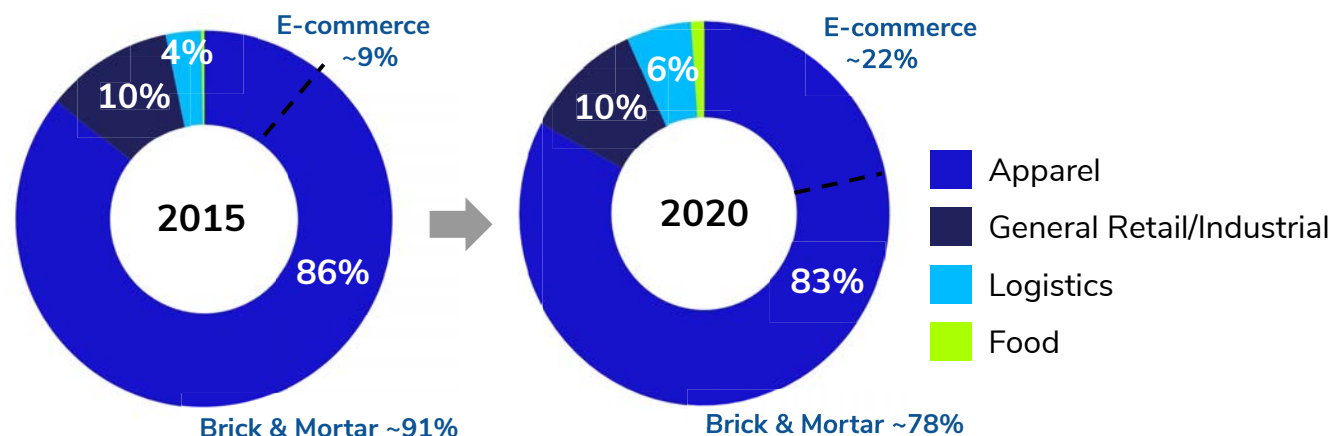
# Evolving portfolio: high-value categories progress & end market diversification

## High-value category evolution



Competitive advantages support **accelerated high-value category growth**

## End market segment evolution



Leverage IL leadership and existing AIDC capability to **drive Food and Logistics growth**

# RBIS has competitive advantages as trends accelerate in large, growing apparel, food and logistics markets

## Key industry trends

**Sustainability, transparency and safe practices and products** become table stakes

Consumer demand for **visibility, provenance, digital use and connectivity** of items increases

Increasing **velocity and complexity** in global supply chains

**E-commerce / IoT adoption** drives digitization, omnichannel, automation and frictionless needs

Desire for **personalization and customization** accelerates

## RBIS competitive advantages

Industry-leading sustainable products and solutions and ethical business practices

Market-leading IL innovation, solutions and capability

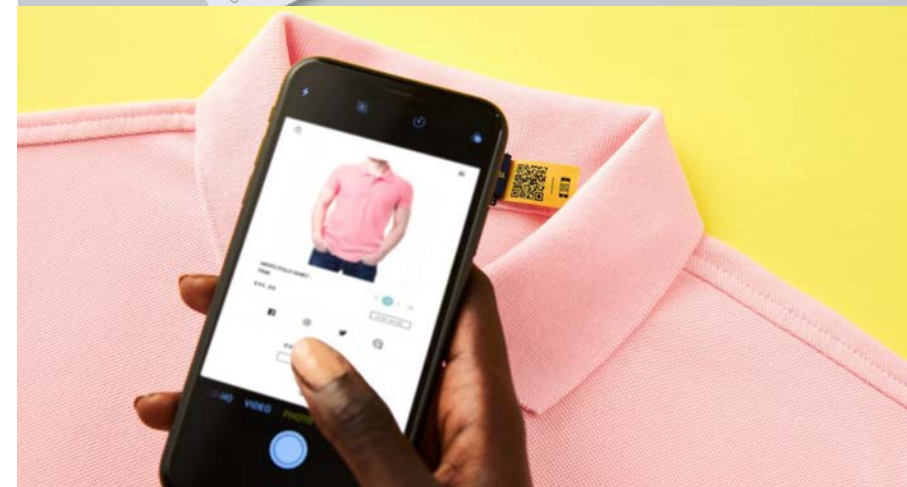
Globally integrated supply chain and high speed, flexible service model

Deep industry data and knowledge supports custom IL / digital solutions

Market-leading customer and ecosystem partnerships, and customized EE innovation capability

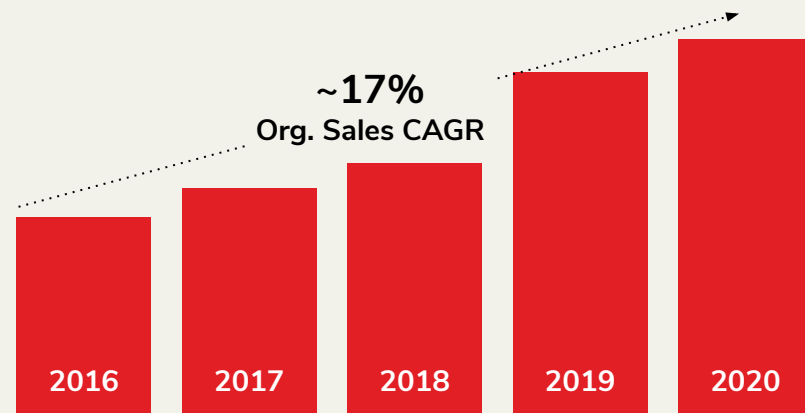
## Key Strategies

- Deliver outsized growth in high-value categories (IL & EE)
- Unlock growth and value in food and logistics segment
- Leverage business model transformation; continue profitable share growth in base
- Strengthen organizational digital capability and solutions



# Progress in external embellishments; significant opportunity for future growth

Delivering on the EE promise...



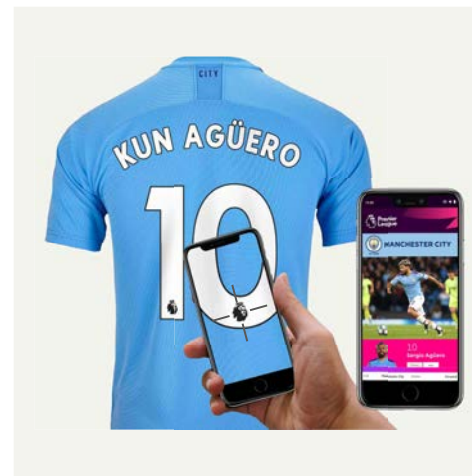
...and positioned for outsized growth

Apparel Segment ~ \$1.4B TAM

AVY Share  
~9%

## Key Strategies

- Accelerate share wins from **increased pace of innovation** for performance segment
- Increase share through **focused strategic team sports partnerships**
- Expand capabilities through M&A





# Intelligent Labels

**Francisco Melo**

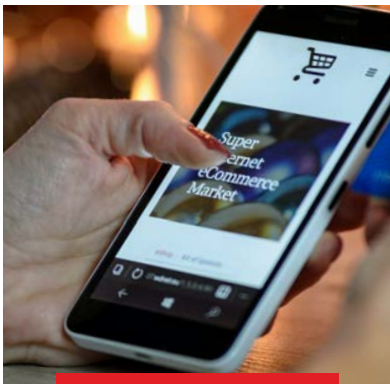
VP/GM Intelligent Labels



**Digital ID technologies to bridge  
the physical and digital worlds  
to create a more sustainable  
and intelligent life.**



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



Omnichannel



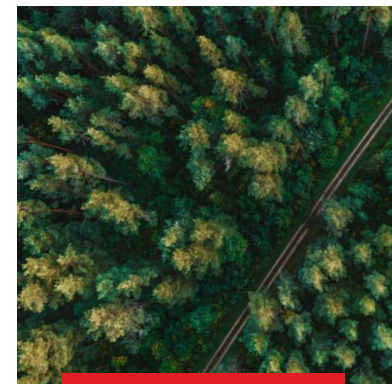
New delivery models



Consumer experience



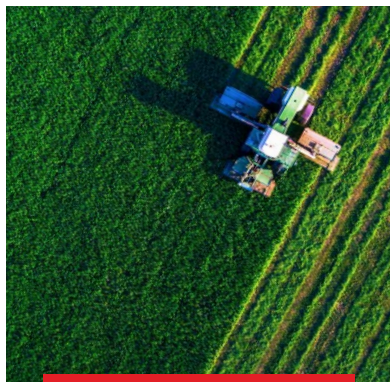
Customer safety



Sustainability



Speed  
& automation



Supply chain  
transparency



Touchless  
retail



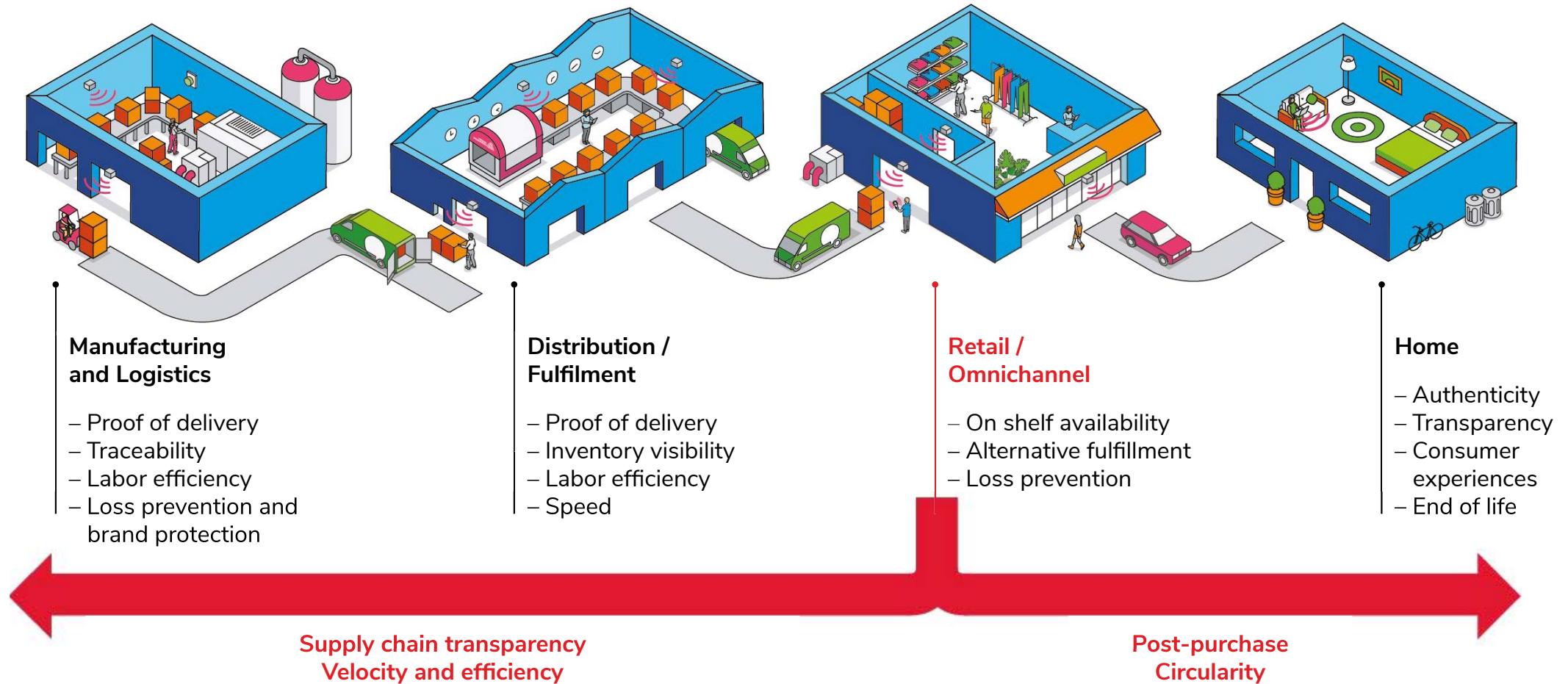
Brand protection  
& authentication



Waste  
reduction



# Supply chain needs continue to drive use case evolution

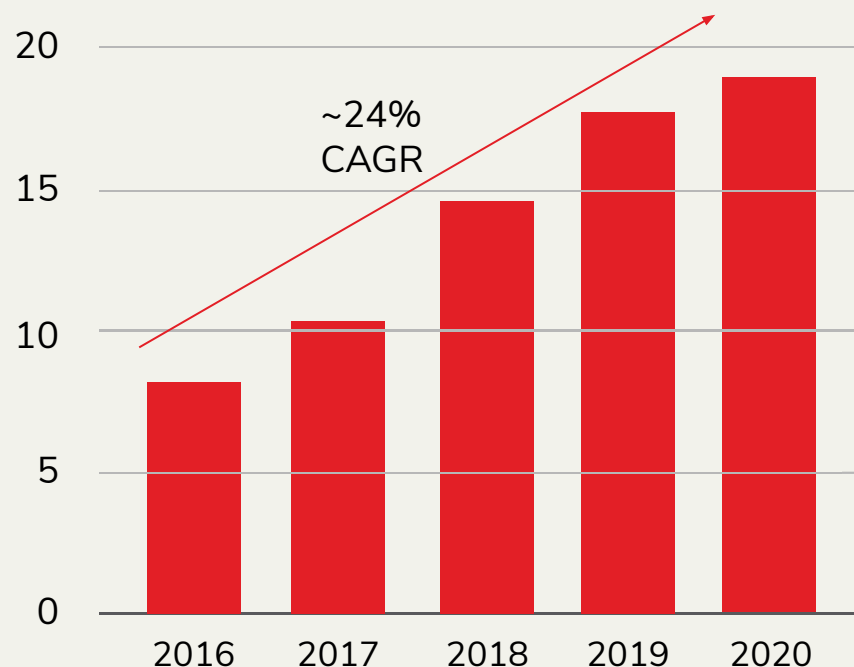




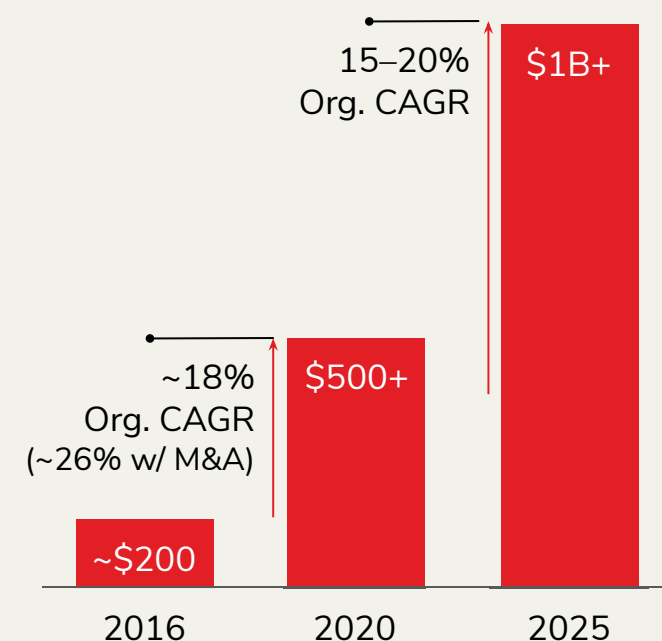
# Leading in a high growth segment

- Historical growth driven by Apparel
- Industry leading UHF/RAIN RFID share position: 50%+ globally and higher in Apparel
- New non-apparel segments add significant growth potential
- Targeting 15–20% top-line CAGR; 1.5-2 pts. to total company growth

UHF/RAIN RFID growth  
(Billions of units)



Intelligent Labels  
enterprise sales (\$ mil.)



Sources: IDTechEx ([www.IDTechEx.com](http://www.IDTechEx.com)), RAIN RFID ([www.rainrfid.org](http://www.rainrfid.org))

## 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

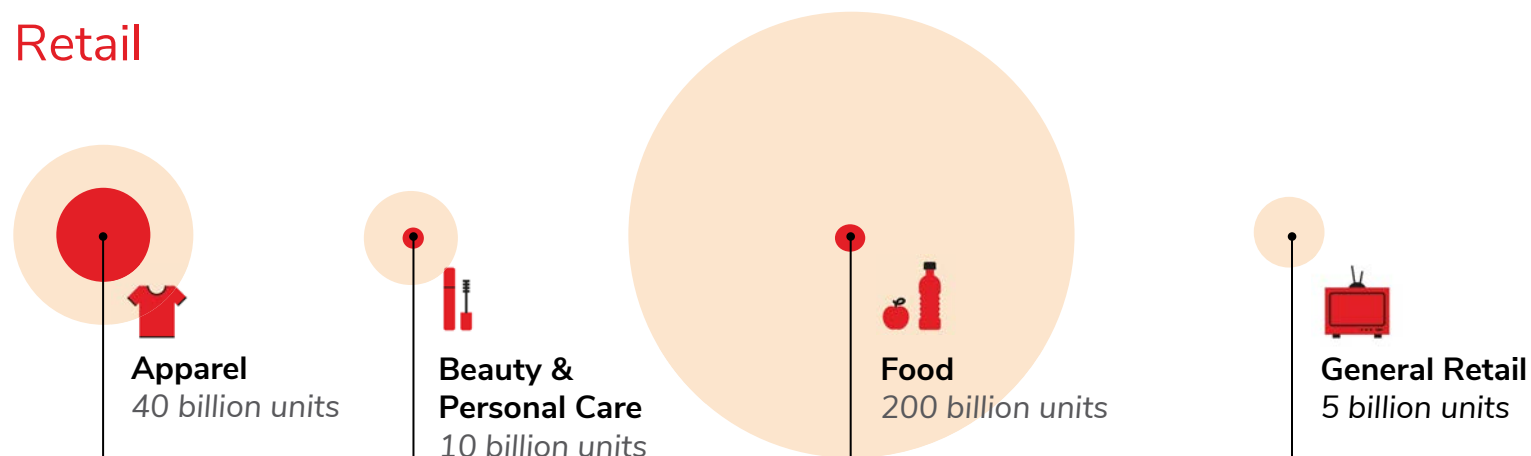


**Low  
cost**

Tens of Billions  
of items already  
tagged to-date

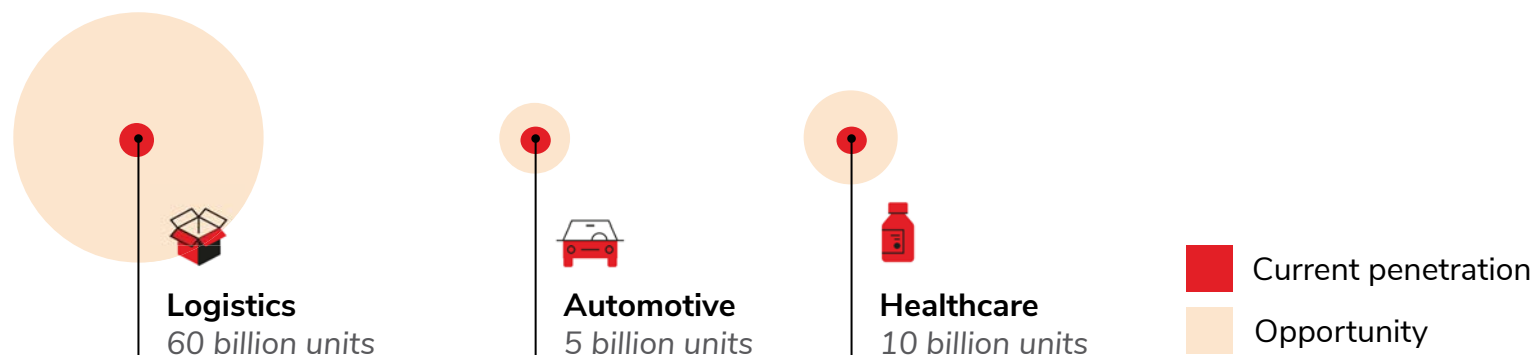
# Large, untapped addressable opportunities

## Retail










- Largest penetration in Apparel, 33% of addressable opportunity
- Significant opportunity in adjacent retail segments
- Leverages existing customer relationships

## Industrial



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

## 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		✓	✓			✓	✓

# 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



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 50B+ inlays produced to date

Highest throughout manufacturing proprietary processes

Most sustainable manufacturing technologies

Vertically integrated capabilities for end-to-end efficiencies

## Go-to-market



Proven market adoption process

Deep segment expertise

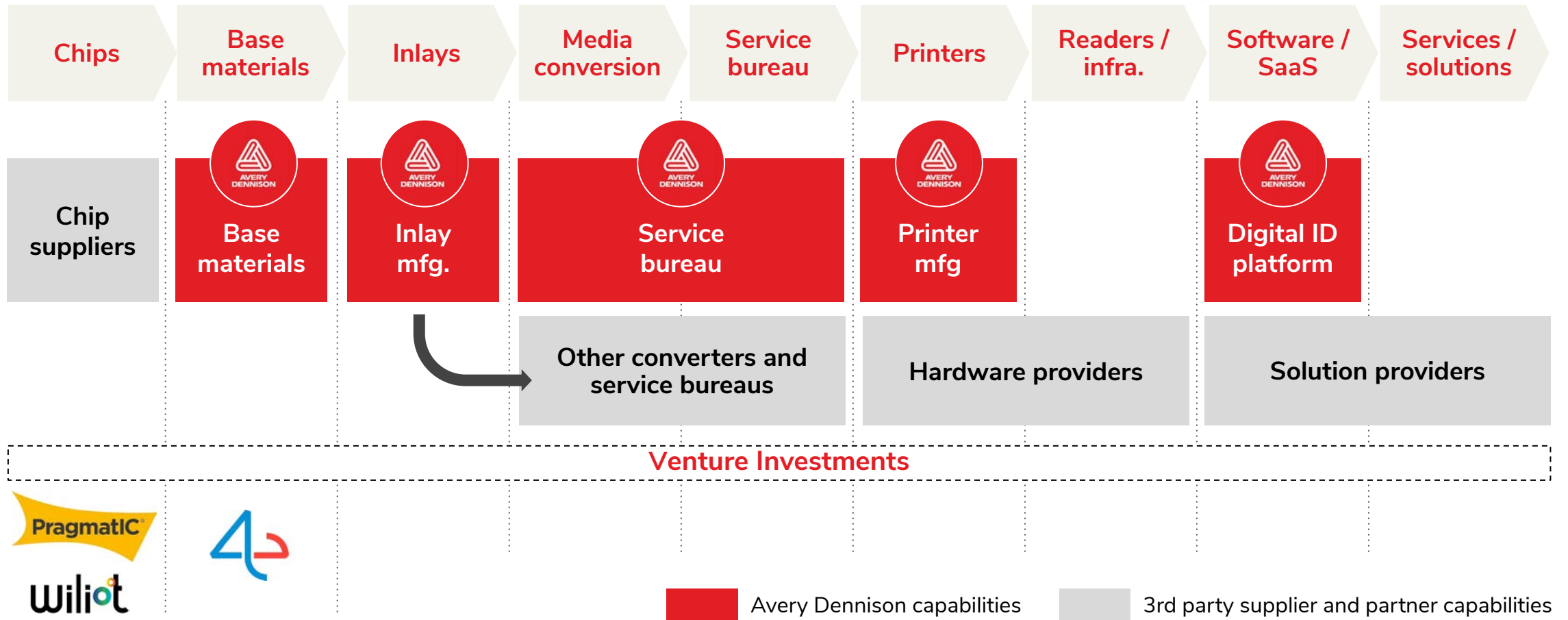
Strong partner ecosystem

Unparalleled global customer and channel reach

Leading brand in the industry



# UHF RFID ecosystem

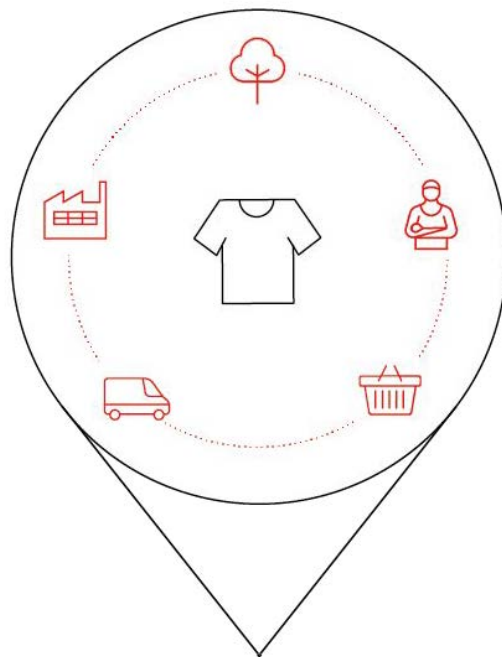


# The future enabled by Connected Products

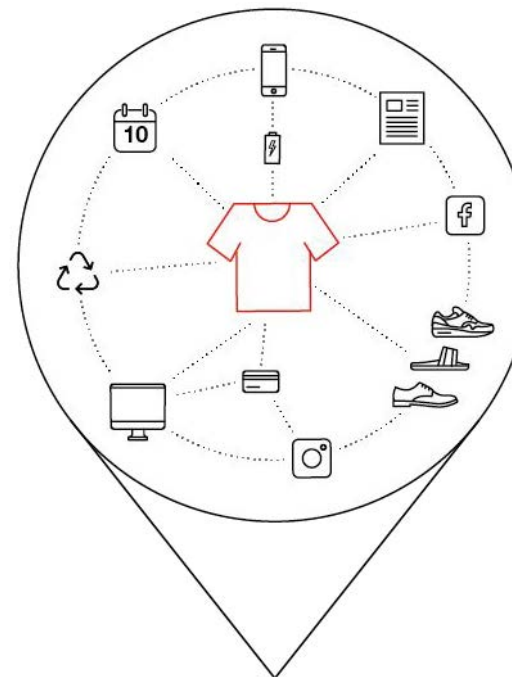
Connected supply chain



Circularity and end of life



Digital ID



Digital Life

# Financial Review

**Greg Lovins**  
SVP and CFO



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

	2017–2021 TARGETS	2017–2020 RESULTS
Sales Growth	<b>5%+ Ex. Currency<sup>(1)</sup></b> <b>4%+ Organic<sup>(1)</sup></b>	<b>4% Ex. Currency<sup>(2)</sup></b> <b>2% Organic<sup>(2)</sup></b>
Operating Margin	<b>11%+ in 2021</b> (vs. 10% in 2016)	<b>12% in 2020</b>
Adjusted EPS Growth	<b>10%+<sup>(1)</sup></b>	<b>15%<sup>(2)</sup></b>
Return on Total Capital (ROTC)	<b>17%+ in 2021</b>	<b>18% in 2020</b>
Net Debt to Adjusted EBITDA	<b>2.3x to 2.6x<sup>(3)</sup></b>	<b>1.7x at Y/E 2020</b>

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

(2) Reflects four-year compound annual growth rate, with 2016 as the base period. Comparable GDP growth over this time period was ~1.5%

(3) Reflects adjustment of target (from a range of 1.7x to 2.0x) in July 2018, following decision to fully fund and terminate our U.S. pension plan.



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

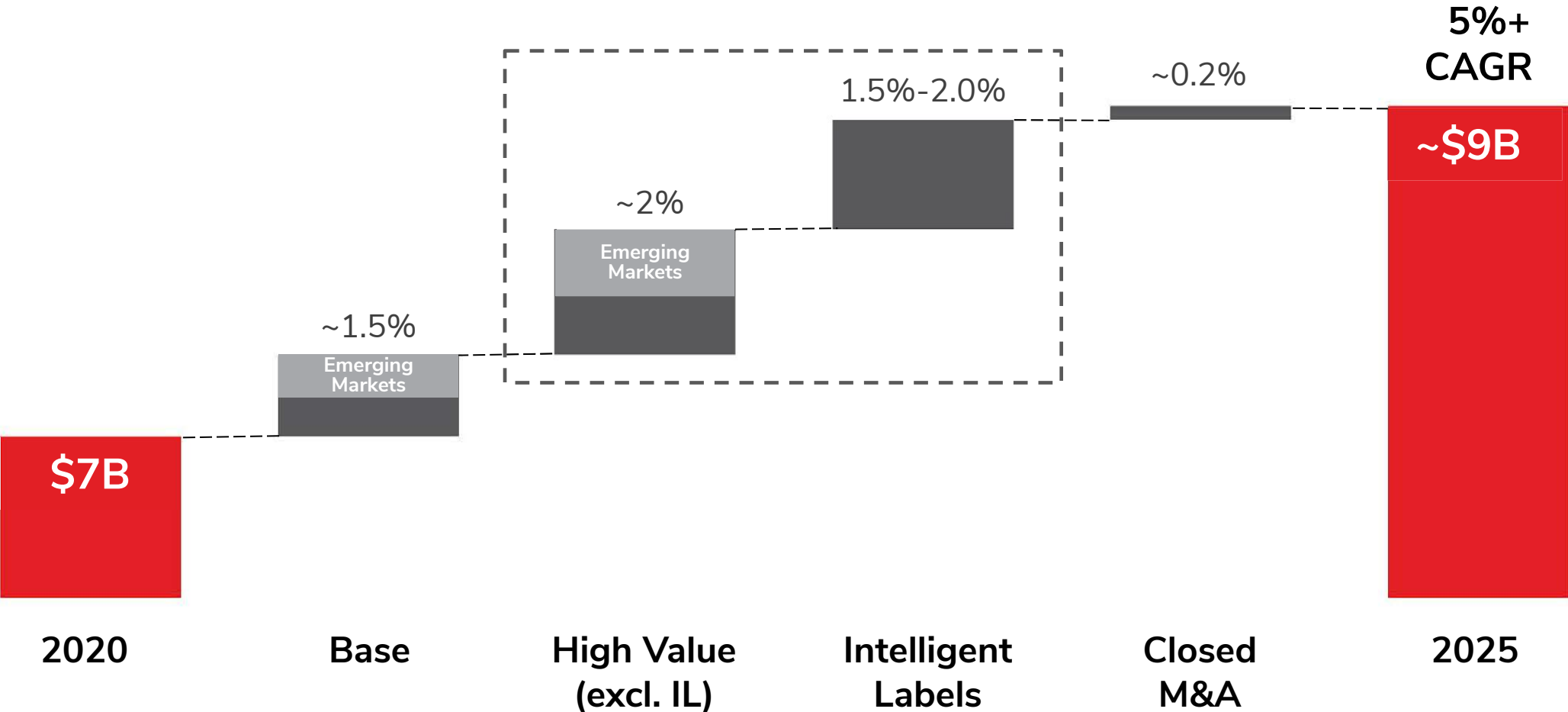
	2017–2020 RESULTS	2021–2025 TARGETS
Sales Growth	<b>4% Ex. Currency</b> 4-YR CAGR	<b>5%+ Ex. Currency<sup>(1,2)</sup></b> (4%+ Org. '22-'25) <sup>(3)</sup>
Adjusted EBITDA Margin	<b>15% in 2020</b>	<b>16%+ in 2025</b>
Adjusted EPS Growth	<b>15%</b> 4-YR CAGR	<b>10%<sup>(1)</sup></b>
Return on Total Capital (ROTC)	<b>18% in 2020</b>	<b>18%+</b>

(1) Reflects five-year compound annual growth rates, with 2020 as the base period

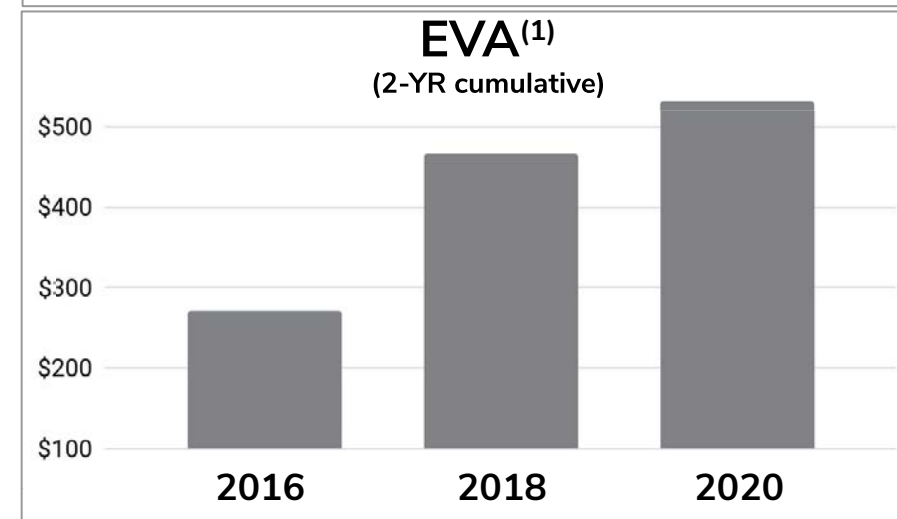
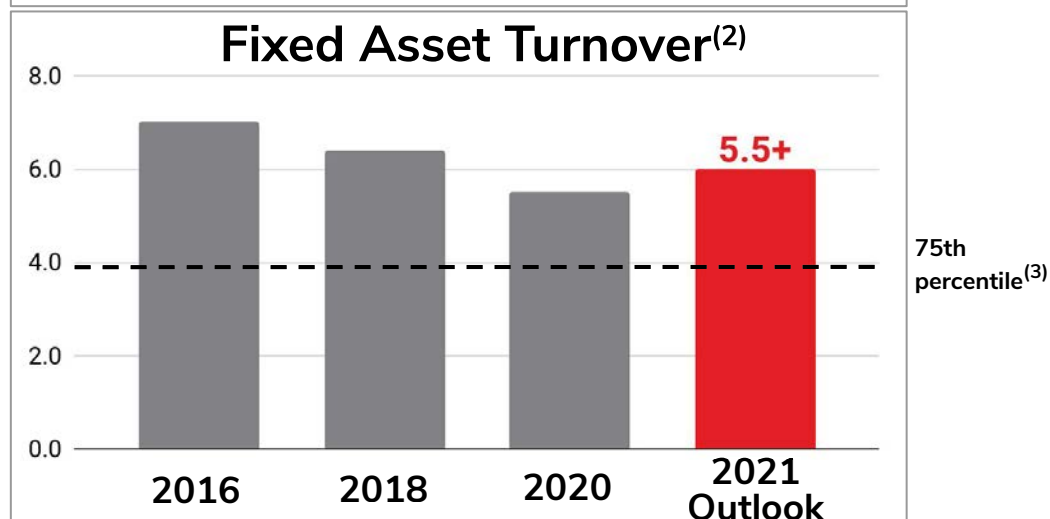
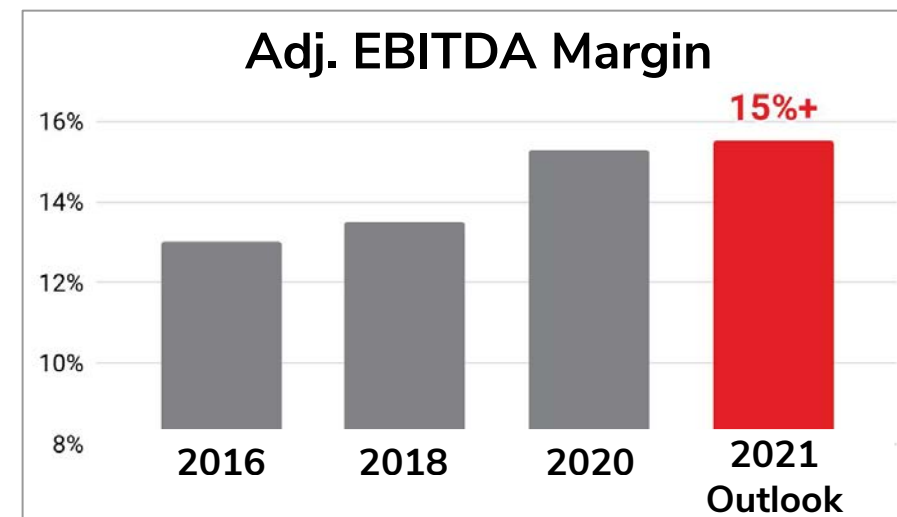
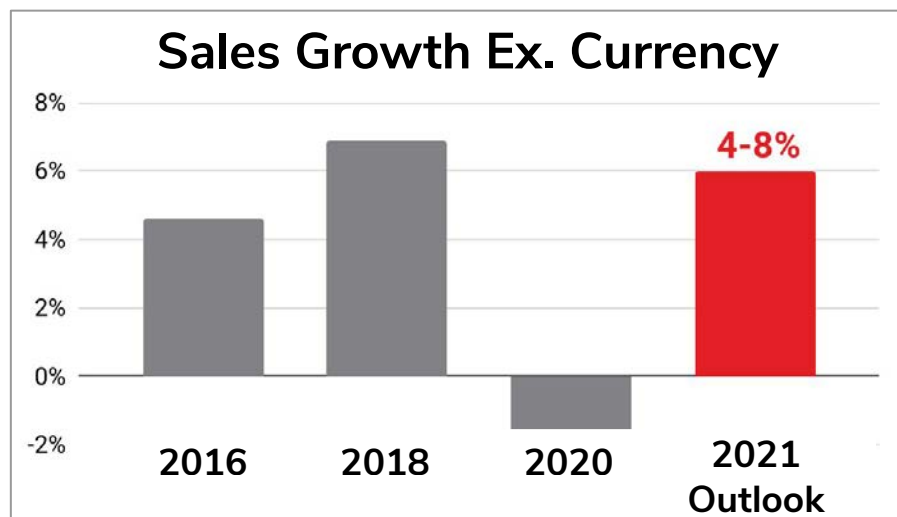
(2) Including the impact of closed acquisitions as of March 10, 2021, which represents ~0.2%

(3) Targeting 4%+ organic sales growth post economic rebound

# Catalysts for continued sales growth



# Balanced strategy creating value for shareholders



(1) Economic Value Added (EVA) is calculated by deducting the economic cost associated with the use of capital (WACC multiplied by average invested capital) from our after-tax operating profit

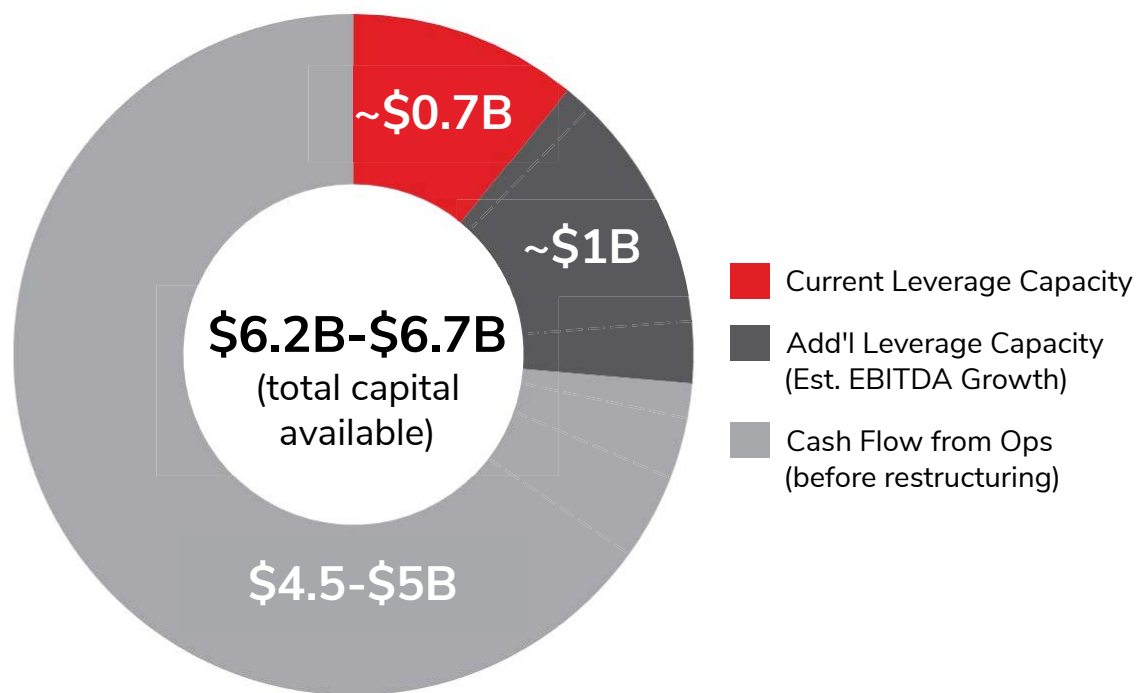
(2) Annual net sales divided by 2-point average consolidated net PP&E

(3) Refers to peer group used to benchmark relative TSR for performance units (see p. 69 of 2021 Proxy Statement)

# Disciplined approach to capital allocation

## Capital Sources

(2021-2025 cumulative)



## Capital Uses

(% of total cap. avail.)

	2017-2020	2021-2025
Capex/Restructuring	33%	25%-30%
Dividends	21%	~20%
Buyback/M&A	46%	~50%

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



## RECAP

# 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
  - Effectively allocate capital
  - Lead in an environmentally and socially responsible manner
- Consistently delivering against our long-term objectives and once again raising the bar





Panel Q&A

To learn more about Avery Dennison,  
contact the **Investor Relations Team**

## John Eble

Sr. Director, Investor Relations

[john.eble@averydennison.com](mailto:john.eble@averydennison.com)

## Dion de Boer

Manager, FP&A and IR

[dion.deboer@averydennison.com](mailto:dion.deboer@averydennison.com)



# Appendix A

2030 Sustainability Goals

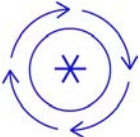

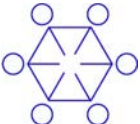
2021 EPS Guidance

Supplemental Sales Information





# Our Sustainability Goals

2030 Goals	2030 Targets
 <p>Deliver innovations that advance the circular economy</p>	<p>Satisfy the recycling, composting or reuse requirements of all single-use consumer packaging and apparel with our products and solutions.</p> <p><b>RBIS:</b> 100% of core product categories will meet <a href="#">ClearIntent Standard</a></p> <p><b>LGM:</b> 100% of our standard label products will contain recycled or renewable content; all of our regions will have labels that enable circularity of plastics.</p>
 <p>Reduce the environmental impact in our operations and supply chain</p>	<p>Reduce our emissions by <b>70%</b> and reduce Scope 3 emissions by <b>30%</b> by 2030—with an ambition of <b>net zero</b> by 2050.</p> <p>Source <b>100%</b> of paper fiber from certified sources</p> <p>Divert <b>95%</b> of our waste away from landfills, with a minimum of <b>80%</b> of our waste recycled</p> <p>Deliver a <b>15%</b> increase in water efficiency at our sites that are located in high or extremely high risk countries</p>
 <p>Make a positive social impact by enhancing the livelihood of our people and communities</p>	<p>Foster an engaged team and inclusive workplace by ensuring our employees represent the community in which they live and work. <b>Metrics:</b></p> <p>85% inclusion index, 82%+ employee engagement, 40% women in manager level or above positions, safety 0.2 RIR</p> <p>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.</p>

## 2021 EPS Guidance (as of February 3, 2021)

<b>Reported EPS</b>	<b>\$7.50 – \$7.90</b>
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Add Back:

<b>Est. restructuring costs and other items</b>	<b>~\$0.15</b>
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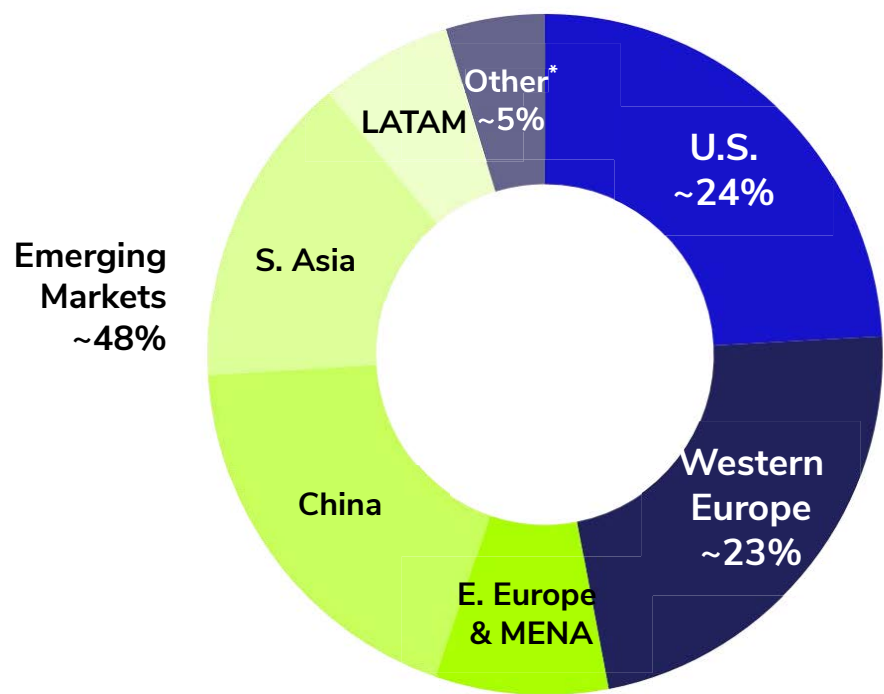
<b>Adjusted EPS (non-GAAP)</b>	<b>\$7.65 – \$8.05</b>
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### Contributing Factors to 2021 Results

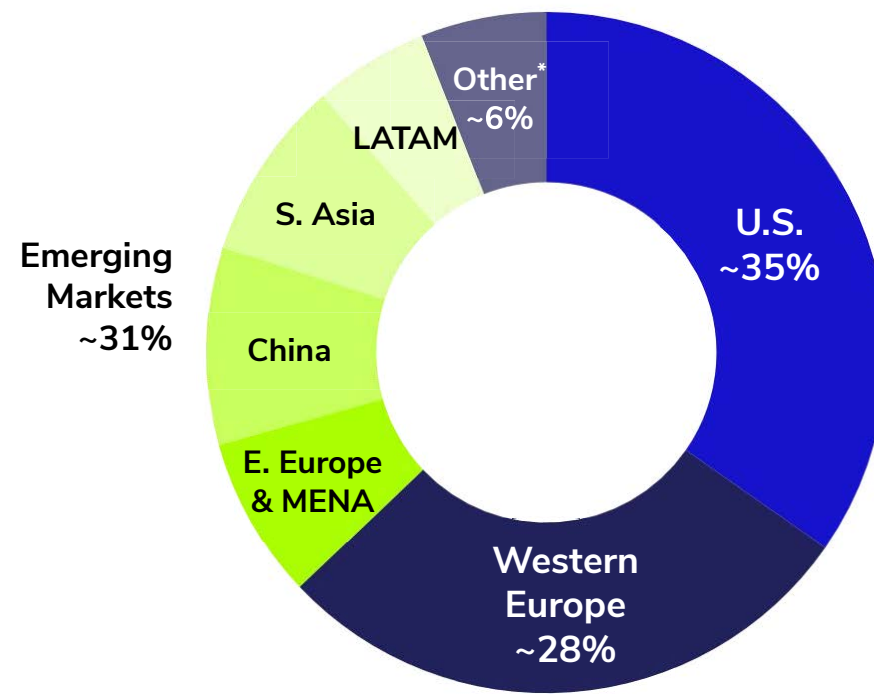
- Reported sales growth of 5% to 9%, including a ~2% tailwind from currency translation at recent rates, ~1% benefit from M&A, and ~1% headwind from the extra week in 2020
  - Organic sales change of 3% to 7%
- 53rd week headwind to EPS of ~\$0.15, with Q1 tailwind more than offset in Q4
- Currency translation benefit to operating income of ~\$25 mil., assuming recent rates
- Incremental savings of ~\$70 mil. from restructuring actions, net of transition costs
- Majority of 2020 temporary cost-saving actions expected to be a headwind as markets recover
- Adjusted tax rate in the mid-twenty percent range, based on current tax regulations
- Free cash flow \$600+ mil.
- Average shares outstanding (assuming dilution) of 83 to 84 mil.

## Sales by Geography: diversified geographic exposure

2020 Sales by Manufacturing Location



2020 Sales by End Market, est.



\*Includes Australia, Canada, Japan, New Zealand, and South Africa

# Appendix B

Reconciliation of GAAP to Non-GAAP  
Financial Measures





# 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 that are prepared in accordance with GAAP. Based upon feedback from investors and financial analysts, we believe that the supplemental non-GAAP financial measures we provide are useful to their assessments of our performance and operating trends, as well as liquidity.

Our non-GAAP financial measures exclude the impact of certain events, activities or decisions. The accounting effects of these events, activities or decisions, which are included in the GAAP financial measures, may make it 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, legal settlements, 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 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 a single period and full year.

We use the following non-GAAP financial measures 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, where applicable, an extra week in our fiscal year, currency adjustment for transitional reporting of highly inflationary economies, and the reclassification of sales between segments. 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 product line exits, acquisitions and 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 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 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 full-year GAAP tax rate, adjusted to exclude certain unusual or infrequent events that are expected to significantly impact that rate, such as our U.S. pension plan termination, 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 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.
- **Return on total capital (ROTC)** refers to net income excluding the expense and tax benefit of debt financing divided by the average of beginning and ending invested capital. Adjusted ROTC refers to ROTC adjusted for the impact of the TCJA and pension plan settlements. We believe that ROTC and adjusted ROTC assist investors in understanding our ability to generate returns from our capital.
- **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, the cash contributions related to the termination of our U.S. pension plan. 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.

## Organic Sales Change — Avery Dennison

(\$ in millions)	2015	2016	2017	2018	2019	2020	2015-2019 5-Yr CAGR	2017-2020 4-Yr CAGR
Net sales	\$5,966.9	\$6,086.5	\$6,613.8	\$7,159.0	\$7,070.1	\$6,971.5		
Reported net sales change	(5.7%)	2.0%	8.7%	8.2%	(1.2%)	(1.4%)		
Foreign currency translation	8.6%	2.6%	(0.5%)	(1.4%)	3.3%	0.9%		
Extra week impact	~1.2%					(1.3%)		
Sales change ex. currency <sup>(1)</sup>	4.0%	4.6%	8.2%	6.9%	2.0%	(1.7%)	5.1%	3.8%
Acquisitions/Divestitures	0.6%	(0.7%)	(3.9%)	(1.4%)		(1.7%)		
Organic sales change <sup>(1)</sup>	4.6%	3.9%	4.2%	5.5%	2.0%	(3.4%)	4.0%	2.0%

(1) Totals may not sum due to rounding

# Organic Sales Change by Segment

(\$ in millions)

<b>Label and Graphic Materials</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2015-2019 5-Yr CAGR</b>	<b>2016-2020 5-Yr CAGR</b>
Net sales	\$4,032.1	\$4,187.3	\$4,511.7	\$4,851.1	\$4,745.9	\$4,715.1		
Reported net sales change	(6.2%)	3.8%	7.7%	7.5%	(2.2%)	(0.6%)		
Reclassification of sales between segments					(0.2%)			
Foreign currency translation	10.2%	3.0%	(0.8%)	(1.9%)	3.6%	1.2%		
Extra week impact	~1.2%					(1.0%)		
Sales change ex. currency <sup>(1)</sup>	5.2%	6.8%	6.9%	5.7%	1.2%	(0.5%)	5.1%	4.0%
Acquisitions		(1.4%)	(2.7%)	(0.2%)				
Organic sales change <sup>(1)</sup>	5.2%	5.5%	4.2%	5.5%	1.2%	(0.5%)	4.3%	3.2%

(1) Totals may not sum due to rounding

## Organic Sales Change by Segment (cont.)

(\$ in millions)							<b>2016-2020</b>
<b>Retail Branding and Information Solutions</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>5-Yr CAGR</b>
Net sales	\$1,443.4	\$1,445.4	\$1,511.2	\$1,613.2	\$1,650.3	\$1,630.9	
Reported net sales change	(4.8%)	0.1%	4.6%	6.7%	2.3%	(1.2%)	
Reclassification of sales between segments					0.6%		
Foreign currency translation	3.9%	1.8%	0.4%	0.2%	2.2%	0.6%	
Extra week impact	~1.2%					(1.7%)	
Sales change ex. currency <sup>(1)</sup>	0.3%	1.9%	5.0%	6.9%	5.1%	(2.3%)	3.3%
Acquisitions/Divestitures	2.4%	1.6%				(7.2%)	
Organic sales change <sup>(1)</sup>	2.7%	3.5%	5.0%	6.9%	5.1%	(9.5%)	2.0%
<b>Industrial and Healthcare Materials</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
Net sales	\$ 491.4	\$ 453.8	\$ 590.9	\$ 694.7	\$ 673.9	\$ 625.5	
Reported net sales change	(4.7%)	(7.7%)	30.2%	17.6%	(3.0%)	(7.2%)	
Foreign currency translation	8.7%	1.7%	(0.4%)	(1.5%)	3.4%	0.1%	
Extra week impact	~1.2%					(1.6%)	
Sales change ex. currency <sup>(1)</sup>	5.2%	(6.0%)	29.9%	16.1%	0.4%	(8.7%)	5.4%
Acquisitions		(1.6%)	(27.9%)	(14.7%)			
Organic sales change <sup>(1)</sup>	5.2%	(7.5%)	2.0%	1.4%	0.4%	(8.7%)	(2.6%)

(1) Totals may not sum due to rounding



## Adjusted Operating Margin and EBITDA — Avery Dennison

(\$ in millions)

	2016	2017	2018	2019	2020
Net sales	\$6,086.5	\$6,613.8	\$7,159.0	\$7,070.1	\$6,971.5
Operating income before interest expense, other non-operating expense (income), and taxes, as reported	\$ 590.2	\$ 670.5	\$ 718.1	\$ 770.5	\$ 809.2
<b>Operating margins, as reported</b>	<b>9.7%</b>	<b>10.1%</b>	<b>10.0%</b>	<b>10.9%</b>	<b>11.6%</b>
<b><u>Non-GAAP adjustments:</u></b>					
Restructuring charges:					
Severance and related costs	\$ 14.7	\$ 31.2	\$ 63.0	\$ 45.3	\$ 49.1
Asset impairment and lease cancellation charges	\$ 5.2	\$ 2.2	\$ 10.7	\$ 5.1	\$ 6.2
Other items	\$ 3.9	\$ 3.1	\$ (3.8)	\$ 2.8	\$ (1.7)
Adjusted operating income (non-GAAP)	\$ 614.0	\$ 707.0	\$ 788.0	\$ 823.7	\$ 862.8
<b>Adjusted operating margins (non-GAAP)</b>	<b>10.1%</b>	<b>10.7%</b>	<b>11.0%</b>	<b>11.7%</b>	<b>12.4%</b>
Depreciation & Amortization	\$ 180.1	\$ 178.7	\$ 181.0	\$ 179.0	\$ 205.3
Adjusted EBITDA (non-GAAP)	\$ 794.1	\$ 885.7	\$ 969.0	\$1,002.7	\$1,068.1
<b>Adjusted EBITDA margins (non-GAAP)</b>	<b>13.0%</b>	<b>13.4%</b>	<b>13.5%</b>	<b>14.2%</b>	<b>15.3%</b>



## Adjusted Operating Margin and EBITDA — LGM

(\$ in millions)

	2016	2017	2018	2019	2020
Net sales	\$4,187.3	\$4,511.7	\$4,851.1	\$4,745.9	\$4,715.1
Operating income before interest expense, other non-operating expense (income), and taxes, as reported	\$ 522.0	\$ 577.4	\$ 568.2	\$ 601.5	\$ 688.8
<b>Operating margins, as reported</b>	<b>12.5%</b>	<b>12.8%</b>	<b>11.7%</b>	<b>12.7%</b>	<b>14.6%</b>
<b><u>Non-GAAP adjustments:</u></b>					
Restructuring charges:					
Severance and related costs	\$ 5.8	\$ 14.5	\$ 50.3	\$ 27.7	\$ 27.0
Asset impairment and lease cancellation charges	\$ 2.7	\$ 0.3	\$ 7.5	\$ 1.3	\$ 0.9
Other items	\$ 4.5	\$ (0.3)	\$ 4.0	\$ (0.7)	\$ (5.7)
Adjusted operating income (non-GAAP)	\$ 535.0	\$ 591.9	\$ 630.0	\$ 629.8	\$ 711.0
<b>Adjusted operating margins (non-GAAP)</b>	<b>12.8%</b>	<b>13.1%</b>	<b>13.0%</b>	<b>13.3%</b>	<b>15.1%</b>
Depreciation & Amortization	\$ 103.1	\$ 102.3	\$ 104.7	\$ 100.2	\$ 107.0
Adjusted EBITDA (non-GAAP)	\$ 638.1	\$ 694.2	\$ 734.7	\$ 730.0	\$ 818.0
<b>Adjusted EBITDA margins (non-GAAP)</b>	<b>15.2%</b>	<b>15.4%</b>	<b>15.1%</b>	<b>15.4%</b>	<b>17.3%</b>

## Adjusted Operating Margin and EBITDA — RBIS

(\$ in millions)

	2016	2017	2018	2019	2020
Net sales	\$1,445.4	\$1,511.2	\$1,613.2	\$1,650.3	\$1,630.9
Operating income before interest expense, other non-operating expense (income), and taxes, as reported	\$ 105.0	\$ 126.7	\$ 170.4	\$ 196.6	\$ 144.7
<b>Operating margins, as reported</b>	<b>7.3%</b>	<b>8.4%</b>	<b>10.6%</b>	<b>11.9%</b>	<b>8.9%</b>
<b><u>Non-GAAP adjustments:</u></b>					
Restructuring charges:					
Severance and related costs	\$ 8.4	\$ 16.5	\$ 8.8	\$ 9.3	\$ 17.1
Asset impairment and lease cancellation charges	\$ 2.1	\$ 1.9	\$ 3.1	\$ 0.5	\$ 1.6
Other items	\$ (0.7)	\$ (0.3)	\$ (0.5)	\$ 0.1	\$ 4.0
Adjusted operating income (non-GAAP)	\$ 114.8	\$ 144.8	\$ 181.8	\$ 206.5	\$ 167.4
<b>Adjusted operating margins (non-GAAP)</b>	<b>7.9%</b>	<b>9.6%</b>	<b>11.3%</b>	<b>12.5%</b>	<b>10.3%</b>
Depreciation & Amortization	\$ 64.3	\$ 56.4	\$ 49.0	\$ 52.6	\$ 71.6
Adjusted EBITDA (non-GAAP)	\$ 179.1	\$ 201.2	\$ 230.8	\$ 259.1	\$ 239.0
<b>Adjusted EBITDA margins (non-GAAP)</b>	<b>12.4%</b>	<b>13.3%</b>	<b>14.3%</b>	<b>15.7%</b>	<b>14.7%</b>

## Adjusted Operating Margin and EBITDA — IHM

(\$ in millions)

	2016	2017	2018	2019	2020
Net sales	\$ 453.8	\$ 590.9	\$ 694.7	\$ 673.9	\$ 625.5
Operating income before interest expense, other non-operating expense (income), and taxes, as reported	\$ 56.1	\$ 52.6	\$ 62.9	\$ 60.0	\$ 58.2
<b>Operating margins, as reported</b>	<b>12.4%</b>	<b>8.9%</b>	<b>9.1%</b>	<b>8.9%</b>	<b>9.3%</b>
<b><u>Non-GAAP adjustments:</u></b>					
Restructuring charges:					
Severance and related costs	\$ 0.5	\$ 0.2	\$ 3.9	\$ 6.1	\$ 4.7
Asset impairment and lease cancellation charges	\$ 0.4	\$ -	\$ 0.1	\$ 3.3	\$ 3.7
Other items	\$ 1.0	\$ 3.5	\$ (5.0)	\$ -	\$ -
Adjusted operating income (non-GAAP)	\$ 58.0	\$ 56.3	\$ 61.9	\$ 69.4	\$ 66.6
<b>Adjusted operating margins (non-GAAP)</b>	<b>12.8%</b>	<b>9.5%</b>	<b>8.9%</b>	<b>10.3%</b>	<b>10.6%</b>
Depreciation & Amortization	\$ 12.7	\$ 20.0	\$ 27.3	\$ 26.2	\$ 26.7
Adjusted EBITDA (non-GAAP)	\$ 70.7	\$ 76.3	\$ 89.2	\$ 95.6	\$ 93.3
<b>Adjusted EBITDA margins (non-GAAP)</b>	<b>15.6%</b>	<b>12.9%</b>	<b>12.8%</b>	<b>14.2%</b>	<b>14.9%</b>



# Adjusted Net Income

(\$ in millions)	2016	2017	2018	2019	2020
As reported net income	\$320.7	\$281.8	\$467.4	\$ 303.6	\$ 555.9
<b><u>Non-GAAP adjustments:</u></b>					
Restructuring charges and other items <sup>(1)</sup>	\$ 43.8	\$ 26.3	\$ 60.7	\$ 40.0	\$ 40.6
Pension plan settlements and related charges			\$ 93.7	\$ 444.1	\$ 0.5
Tax benefit from pension plan contributions <sup>(2)(3)</sup>			\$ (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 <sup>(3)</sup>		\$172.0	\$ (3.7)		
Impact of previously planned repatriation of foreign earnings for Q4 2017		\$ (29.4)			
<b>Adjusted net income (non-GAAP)</b>	<b>\$364.5</b>	<b>\$450.7</b>	<b>\$536.8</b>	<b>\$ 560.8</b>	<b>\$ 597.0</b>

The adjusted tax rate was 24.1%, 24.6%, 25%, and 28% for 2020, 2019, 2018, and 2017, respectively.

(1) Includes restructuring and related charges, Argentine peso remeasurement transition loss, transaction and related costs, reversal of acquisition-related contingent consideration, net gain on investments, gain on sales of assets, and other items.

(2) Tax benefits from the deduction of the third quarter 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.

# Adjusted EPS

	2016	2017	2018	2019	2020	2017-2020 4-Yr CAGR
As reported net income per common share, assuming dilution	\$ 3.54	\$ 3.13	\$ 5.28	\$ 3.57	\$ 6.61	
<b><u>Non-GAAP adjustments per common share, net of tax:</u></b>						
Restructuring charges and other items <sup>(1)</sup>	\$ 0.48	\$ 0.29	\$ 0.68	\$ 0.47	\$ 0.48	
Pension plan settlements and related charges			\$ 0.84	\$ 3.12	\$ 0.01	
Tax benefit from discrete foreign tax structuring and planning transactions			\$ (0.35)	\$ (0.56)		
TCJA provisional amounts and subsequent adjustments <sup>(2)</sup>		\$ 1.91	\$ (0.39)			
Impact of previously planned repatriation of foreign earnings for Q4 2017		\$ (0.33)				
<b>Adjusted net income per common share, assuming dilution (non-GAAP)</b>	<b>\$ 4.02</b>	<b>\$ 5.00</b>	<b>\$ 6.06</b>	<b>\$ 6.60</b>	<b>\$ 7.10</b>	<b>15.3%</b>

The adjusted tax rate was 24.1%, 24.6%, 25%, and 28% for 2020, 2019, 2018, and 2017, respectively.

(1) Includes restructuring and related charges, Argentine peso remeasurement transition loss, transaction and related costs, reversal of acquisition-related contingent consideration, net gain on investments, gain on sales of assets, 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.



# Free Cash Flow

(\$ in millions)	2016	2017	2018	2019	2020
Net cash provided by operating activities	\$ 582.1	\$ 645.7	\$ 457.9	\$ 746.5	\$ 751.3
Purchases of property, plant and equipment	(176.9)	(190.5)	(226.7)	(219.4)	(201.4)
Purchases of software and other deferred charges	(29.7)	(35.6)	(29.9)	(37.8)	(17.2)
Proceeds from sales of property, plant and equipment	8.5	6.0	9.4	7.8	9.2
Proceeds from insurance and sales (purchases) of investments, net	3.1	(3.9)	18.5	4.9	5.6
Contributions for U.S. pension plan termination	-	-	200.0	10.3	-
<b>Free Cash Flow (non-GAAP)</b>	<b>\$ 387.1</b>	<b>\$ 421.7</b>	<b>\$ 429.2</b>	<b>\$ 512.3</b>	<b>\$ 547.5</b>

# Return on Total Capital (ROTC)

						Adjusted ROTC	Adjusted ROTC	Adjusted ROTC
(\$ in millions)	2016	2017	2018	2019	2020	2017	2018	2019
As reported net income	\$ 320.7	\$ 281.8	\$ 467.4	\$ 303.6	\$ 555.9	\$ 281.8	\$ 467.4	\$ 303.6
TCJA provisional amounts <sup>(1)</sup>						\$ 172.0		
Impact of previously planned repatriation of foreign earnings for Q4 2017						\$ (29.4)		
Pension plan settlements and related charges							\$ 93.7	\$ 444.1
Tax benefit from pension plan contributions <sup>(2)</sup>							\$ (31.0)	
Tax benefit from pension plan settlements							\$ (19.3)	\$ (179.0)
Interest expense, net of tax benefit <sup>(3)</sup>	\$ 40.3	\$ 30.1	\$ 49.5	\$ 57.2	\$ 53.1	\$ 45.4	\$ 43.9	\$ 57.2
Effective Tax Rate <sup>(1)</sup>	32.8%	52.2%	15.4%	24.6%	24.1%	28.0%	25.0%	24.6%
Net income, excluding expense and tax benefit of debt financing (non-GAAP)	\$ 361.0	\$ 311.9	\$ 516.9	\$ 360.8	\$ 609.0	\$ 469.8	\$ 554.7	\$ 625.9
Total debt	\$1,292.5	\$1,581.7	\$1,966.2	\$1,939.5	\$2,116.8	\$ 1,581.7	\$ 1,966.2	\$ 1,939.5
Shareholders' equity	\$ 925.5	\$1,046.2	\$ 955.1	\$1,204.0	\$1,484.9	\$ 1,046.2	\$ 955.1	\$ 1,204.0
TCJA provisional amounts <sup>(1)</sup>						\$ 172.0		
Impact of previously planned repatriation of foreign earnings for Q4 2017						\$ (29.4)		
Pension plan settlements and related charges							\$ 93.7	\$ 444.1
Tax benefit from pension plan contributions <sup>(2)</sup>							\$ (31.0)	
Tax benefit from pension plan settlements							\$ (19.3)	\$ (179.0)
Total debt and shareholders' equity	\$2,218.0	\$2,627.9	\$2,921.3	\$3,143.5	\$3,601.7	\$ 2,770.5	\$ 2,964.7	\$ 3,408.6
<b>Return on Total Capital (ROTC) (non-GAAP)</b>	<b>17.0%</b>	<b>12.9%</b>	<b>18.6%</b>	<b>11.9%</b>	<b>18.1%</b>	<b>18.8%</b>	<b>19.3%</b>	<b>19.6%</b>

(1) "Provision for income taxes" for the fourth quarter of 2017 includes the estimated impact of TCJA enacted in the U.S. on December 22, 2017. In the fourth quarter of 2018, we finalized our provisional amounts as defined under SEC Staff Accounting Bulletin No. 118 related to TCJA.

(2) Tax benefits resulting from the deduction of the third quarter 2018 pension contributions on our 2017 U.S. income tax return.

(3) Interest expense, net of tax benefit for 2019, based on our GAAP tax rate of -22.7%, is not meaningful; Applying the adjusted tax rate of 24.6% removes the benefit of the negative tax rate from pension plan settlements and discrete foreign tax structuring and planning transactions.

# Net Debt to Adjusted EBITDA

## Total Company

Net sales  
Operating income before interest expense,  
other non-operating expense (income), and taxes, as reported

### Operating margins, as reported

### Non-GAAP adjustments:

Restructuring charges:

Severance and related costs  
Asset impairment and lease cancellation charges

Other items

Adjusted operating income (non-GAAP)

Adjusted operating margins (non-GAAP)

Depreciation and amortization

Adjusted EBITDA (non-GAAP)

Adjusted EBITDA margins (non-GAAP)

	QTD				YTD	QTD				YTD
	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Net sales	\$ 1,740.1	\$ 1,795.7	\$ 1,761.4	\$ 1,772.9	\$ 7,070.1	\$ 1,723.0	\$ 1,528.5	\$ 1,729.1	\$ 1,990.9	\$ 6,971.5
Operating income before interest expense, other non-operating expense (income), and taxes, as reported	181.6	209.1	199.7	180.1	770.5	199.2	123.5	213.5	273.0	809.2
Operating margins, as reported	10.4%	11.6%	11.3%	10.2%	10.9%	11.6%	8.1%	12.3%	13.7%	11.6%
Non-GAAP adjustments:										
Restructuring charges:										
Severance and related costs	10.4	6.1	3.3	25.5	45.3	2.4	37.5	6.5	2.7	49.1
Asset impairment and lease cancellation charges	0.3	1.4	-	3.4	5.1	-	1.8	4.4	-	6.2
Other items	(3.2)	-	3.4	2.6	2.8	2.5	0.7	1.5	(6.4)	(1.7)
Adjusted operating income (non-GAAP)	\$ 189.1	\$ 216.6	\$ 206.4	\$ 211.6	\$ 823.7	\$ 204.1	\$ 163.5	\$ 225.9	\$ 269.3	\$ 862.8
Adjusted operating margins (non-GAAP)	10.9%	12.1%	11.7%	11.9%	11.7%	11.8%	10.7%	13.1%	13.5%	12.4%
Depreciation and amortization	\$ 44.5	\$ 44.9	\$ 44.0	\$ 45.6	\$ 179.0	\$ 47.5	\$ 50.3	\$ 52.0	\$ 55.5	\$ 205.3
Adjusted EBITDA (non-GAAP)	\$ 233.6	\$ 261.5	\$ 250.4	\$ 257.2	\$ 1,002.7	\$ 251.6	\$ 213.8	\$ 277.9	\$ 324.8	\$ 1,068.1
Adjusted EBITDA margins (non-GAAP)	13.4%	14.6%	14.2%	14.5%	14.2%	14.6%	14.0%	16.1%	16.3%	15.3%

Total Debt

Less: Cash and cash equivalents

Net Debt

Net Debt to Adjusted EBITDA LTM\* (non-GAAP)

\$ 2,820.3 \$ 2,266.2 \$ 2,144.1 \$ 2,116.8

742.0 262.6 284.7 252.3

\$ 2,078.3 \$ 2,003.6 \$ 1,859.4 \$ 1,864.5

1.7

\*LTM = Last twelve months (1Q20 to 4Q20)



**AVERY  
DENNISON**