



# Avery Dennison

**Baird 2018 Global Industrial Conference**

November 8, 2018

**Mitch Butier**

President and Chief Executive Officer



## **Forward-Looking Statements**

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

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

For a more detailed discussion of these and other factors, see "Risk Factors" and "Management's Discussion and Analysis of Results of Operations and Financial Condition" in our 2017 Form 10-K, filed with the Securities and Exchange Commission on February 21, 2018, 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 financial results in conformity with accounting principles generally accepted in the United States of America, or GAAP, and also communicate with investors using certain non-GAAP financial measures. These non-GAAP financial measures are not in accordance with, nor are they a substitute for or superior to, the comparable GAAP financial measures. These non-GAAP financial measures are intended to supplement presentation of our financial results that are prepared in accordance with GAAP. Based upon feedback from investors and financial analysts, we believe that the supplemental non-GAAP financial measures we provide are useful to their assessment of our performance and operating trends, as well as our 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 the "Investor Presentation" document posted on our website.

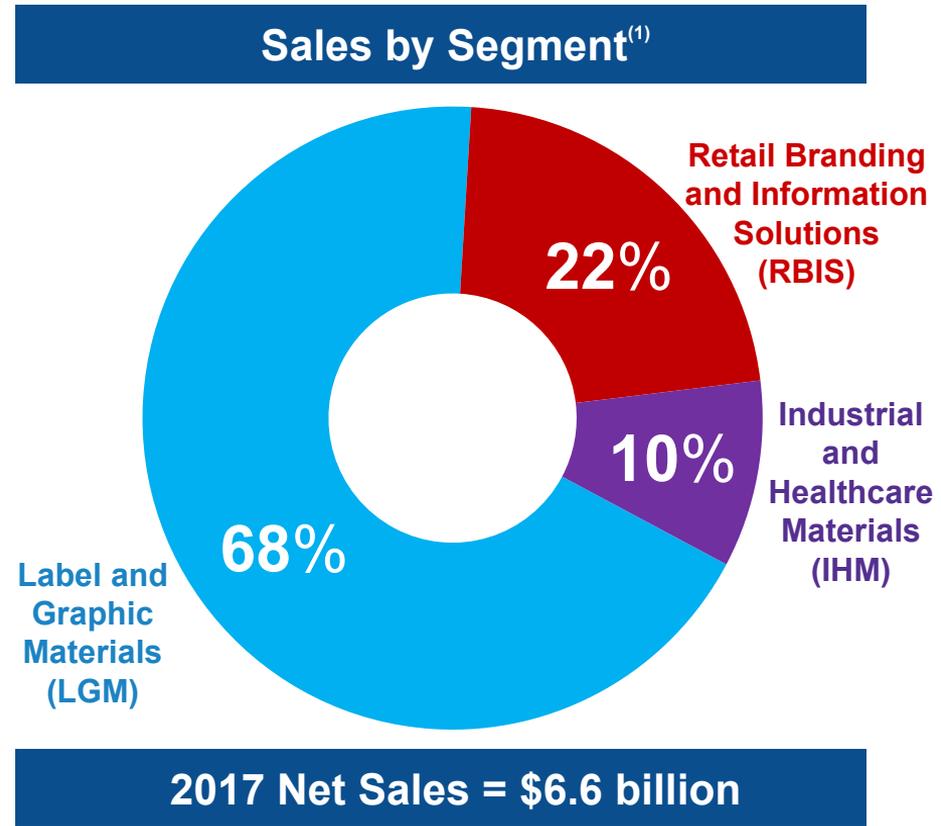
# Overview: creating superior long-term value

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



# Avery Dennison at a glance

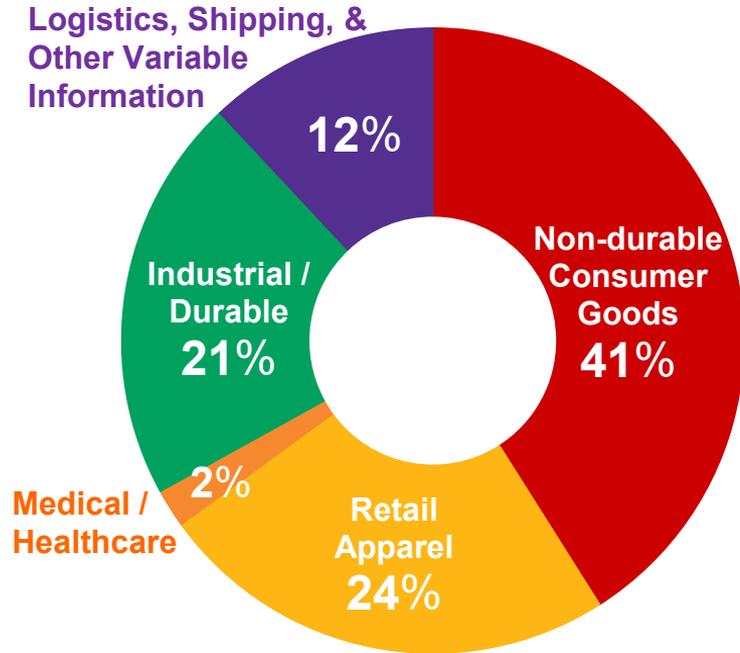
- **Recognized industry leader in primary businesses**
  - LGM: Leading global provider of pressure-sensitive materials for labeling, graphics, and reflective applications
  - RBIS: Leading global player in branding and information solutions for apparel
  - IHM: Strategic opportunity to expand in application-based, functional materials
- **Sustainable competitive advantages**
  - Global scale; 180+ operating locations
  - Materials science capabilities focused on pressure-sensitive adhesives
  - Innovative process technology
  - Operational and commercial excellence



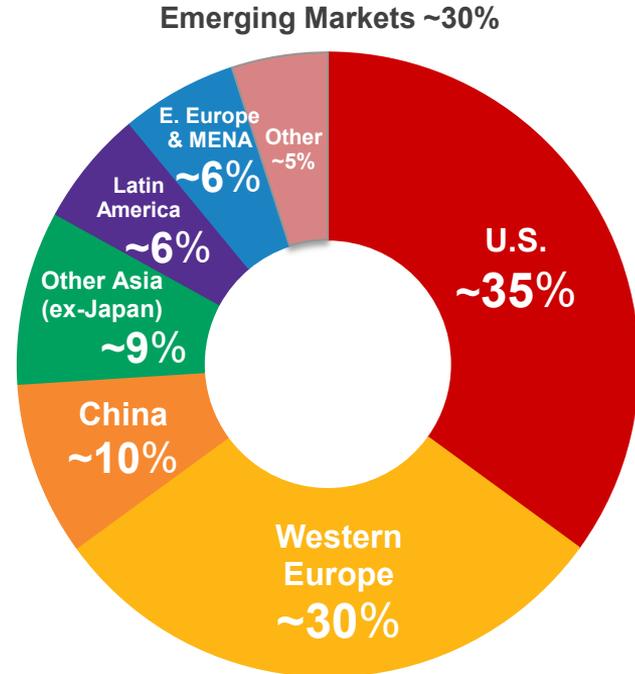
(1) Pie chart based on Q3 2018 YTD net sales

# Broad exposure to diverse end markets

## 2017 Sales by Product Category



## 2017 Sales by Geography<sup>(1)</sup>



(1) Sales by end demand region, including annualized sales for 2017 acquisitions. Other includes Canada, Japan, South Africa, Australia, and New Zealand

# Catalysts for consistent GDP+ top line growth

## Emerging Markets ~\$2.0B<sup>(2)</sup>

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

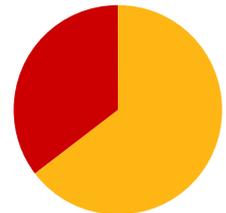
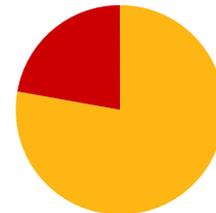
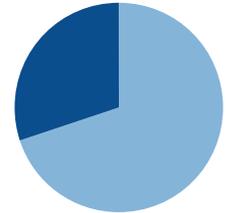
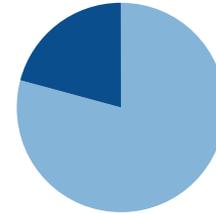
## High Value Categories ~\$2.3B

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

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

2010

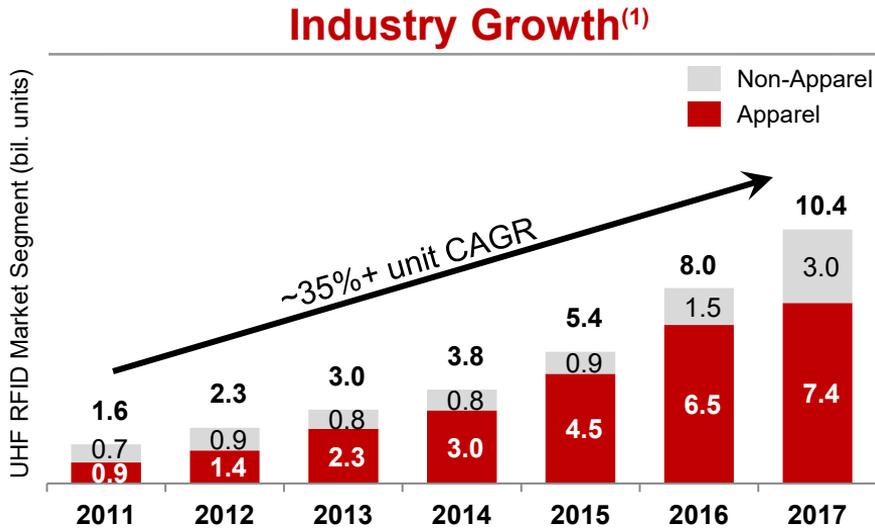
2017



(1) Constant currency

(2) Approximately one-third of emerging market sales are in high value categories, which are included in the ~\$2.3B above.

# RFID adoption driving significant growth



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

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

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

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

	2017 – 2021 TARGETS	2017 RESULTS
<b>Sales Growth</b>	4%+ Organic <sup>(1)</sup> 5%+ with M&A <sup>(1,2)</sup>	4% Organic 8% Ex. Currency
<b>Operating Margin</b>	11%+ in 2021	9.9% Adj <sup>(3)</sup> : 10.4%
<b>Adjusted EPS Growth</b>	10%+ CAGR <sup>(1)</sup>	24%
<b>Return on Total Capital (ROTC)</b>	17%+ in 2021	13% Adj <sup>(4)</sup> : 19%
<b>Net Debt to Adjusted EBITDA</b>	2.3x to 2.6x <sup>(5)</sup>	1.7x

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

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

(3) Excluding restructuring charges and other items

(4) Excludes the net impact of the TCJA

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

