

CCL Industries Inc.

111 Gordon Baker Road, Suite 801, Toronto, ON M2H 3R1, Canada
Tel +1 (416) 756-8500 www.cclind.com



News Release

For Immediate Release, Wednesday, February 22, 2023

Stock Symbols: TSX – CCL.A and CCL.B

CCL Industries Announces Record 2022 Results

Fourth Quarter Highlights

- **Per Class B share⁽³⁾: \$0.83 adjusted basic earnings up 2.5%; \$0.82 basic earnings up 2.5%; currency translation positive \$0.03**
- **Sales increased 6.6% on 4.9% acquisition growth and 2.3% positive currency translation partially offset by 0.6% organic decline**
- **Operating income⁽¹⁾ increased 1.1%, with a 13.3% operating margin⁽¹⁾ down 70 bps**

2022 Highlights

- **Per Class B share⁽³⁾: \$3.57 adjusted basic earnings up 5.9%; \$3.50 basic earnings up 5.1%; currency translation negative \$0.02**
- **Sales increased 11.3% on 7.3% organic growth and 4.8% acquisition growth partially offset by 0.8% negative currency translation**
- **Operating income⁽¹⁾ increased 4.8%, with a 14.6% operating margin⁽¹⁾ down 90 bps**
- **Annual dividend increased 10.4% effective March 17, 2023**

Toronto, February 22, 2023 - CCL Industries Inc. (“the Company”), a world leader in specialty label, security and packaging solutions for global corporations, government institutions, small businesses and consumers, today reported fourth quarter and annual financial results for 2022.

Sales for the fourth quarter of 2022 increased 6.6% to \$1,587.2 million, compared to \$1,488.8 million for the fourth quarter of 2021, with an organic decline of 0.6% offset by acquisition-related growth of 4.9% and 2.3% positive impact from foreign currency translation.

Operating income⁽¹⁾ for the fourth quarter of 2022 increased by 1.1% to \$211.2 million compared to \$208.8 million for the comparable quarter of 2021. Excluding the impact of foreign currency translation operating income⁽¹⁾ decreased 1.6% compared to the 2021 fourth quarter.

Restructuring and other items were \$3.4 million for the 2022 fourth quarter primarily for reorganization and severance costs at CCL Design and Checkpoint. For the fourth quarter of 2021, restructuring and other items was \$1.1 million primarily for severance at the CCL and Checkpoint Segments.

Tax expense for the fourth quarter of 2022 was \$36.5 million compared to \$35.3 million in the prior year period. The effective tax rate for the 2022 fourth quarter was 21.2% resulting in an annual effective tax rate of 23.3% compared to 20.1% for the 2021 fourth quarter and the 2021 annual rate of 23.6%. The increase in the aforementioned 2022 fourth quarter effective tax rates can be attributed to the utilization of previously unrecognized deferred tax assets at certain subsidiaries of the Company in the prior year quarter that did not reoccur in 2022 fourth quarter.

For the fourth quarter of 2022, net earnings were \$145.2 million compared to \$145.1 million for the 2021 fourth quarter, basic and adjusted basic earnings per Class B share⁽³⁾ were \$0.82 and \$0.83, respectively, compared to basic and adjusted basic earnings per Class B share⁽³⁾ of \$0.80 and \$0.81, respectively, in the prior year fourth quarter.

For the 2022 year, sales, operating income⁽¹⁾ and net earnings improved 11.3%, 4.8% and 3.9% to \$6.4 billion, \$934.4 million and \$622.7 million, respectively, compared to December 31, 2021. The year ending December 31, 2022 included results from twelve acquisitions completed since January 1, 2021, delivering acquisition related sales growth for the year of 4.8%, coupled with organic sales growth of 7.3% partially offset by 0.8% negative impact from foreign currency translation. Foreign currency translation had a negative impact of \$0.02 per share. For the year ended December 31, 2022, basic and adjusted basic earnings per Class B share⁽³⁾ were \$3.50 and \$3.57, respectively, compared to basic and adjusted basic earnings per Class B share⁽³⁾ of \$3.33 and \$3.37, respectively, in the prior year.

Geoffrey T. Martin, President and Chief Executive Officer, commented, “2022 was our third consecutive year of delivering record results despite difficult economic conditions including historic inflationary pressures, global supply chain disruptions, pandemic-related restrictions and geopolitical events disrupting commodity and energy markets. Our teams worked with resolve, dedication and passion delivering for customers and shareholders. 2022 was another year of strong free cash flow, largely reinvested in our businesses, positioning the Company for continued long term success.”

Mr. Martin continued, “The CCL Segment posted a 1.8% fourth quarter organic growth rate. Strong Home & Personal Care results derived from labels improved globally with especially robust gains in aluminum aerosols, partly offset by a profitability decline in tubes. Healthcare delivered another very strong quarter, particularly in North America but Specialty markets were mixed, remaining notably weak in consumer garden chemicals. Food & Beverage recorded strong organic sales growth and significant profitability improvement as price increases recovered inflationary raw material costs; Latin America profitability notably excelled. CCL Design’s automotive units posted improved results for the quarter but could not offset the impact of China’s Covid challenges, amplifying already soft electronics markets in Asia and significantly impacting returns in the sector. CCL Secure had an unusually slow quarter in the currency business while our label joint ventures delivered record quarterly and annual earnings. Avery results were solid as strong profitability gains in North America, notably in direct-to-consumer categories, more than offset modest underlying declines internationally. Good results for the newly acquired Adelbras tapes unit in Brazil outpaced softer performance at the recent acquisitions in the horticultural space, adding to profitability. Checkpoint MAS results improved in all regions, other than Asia, compared to a strong prior year fourth quarter. ALS performance moderated compared to a very robust period in 2021 as the apparel retail supply chain deals with excess inventories. RFID results remained strong. Sharply lower volume to the label materials industry, persistent energy inflation in Europe, higher freight charges, startup costs for the new “Ecofloat” line in Poland and the impact of reduced sales prices from falling resin indices squeezing margins short term on higher cost inventories all combined to significantly reduce Innovia profitability.”

Mr. Martin noted, “Foreign currency translation moved to a tailwind during the fourth quarter with a \$0.03 positive impact on basic earnings per Class B share, but for the full year of 2022 was a \$0.02 negative headwind. If today’s Canadian dollar exchange rates are sustained, currency translation would remain a tailwind for the first quarter 2023.”

Mr. Martin concluded, “The Company finished the year with a strong balance sheet and excellent liquidity, despite spending \$287 million on three acquisitions, repurchasing \$200 million of capital stock in buyback programs and investing \$419 million in capital expenditure, net of disposals. The Company’s consolidated leverage ratio⁽⁵⁾ ended 2022 at 1.24 times Adjusted EBITDA⁽²⁾ with \$840 million cash-on-hand and approximately US\$910 million undrawn capacity on our syndicated revolving credit facility, leaving us well placed to fund global ambitions. Therefore, the Board of Directors declared a 10.4% increase in the quarterly dividend to \$0.265 per Class B non-voting share and \$0.2625 per Class A voting share, payable to shareholders of record at the close of business on March 17, 2023, to be paid on March 31, 2023.”

2022 Fourth Quarter Highlights

CCL Segment

- Sales increased 7.2% to \$947.1 million on 1.8% organic growth, 2.2% acquisition contribution and 3.2% positive impact from currency translation
- Regional organic sales growth: high single digit gains in Europe and Latin America, mid-single digit in North America and double digit decline in Asia Pacific
- Operating income⁽¹⁾ \$131.9 million, up 8.6%, 13.9% operating margin⁽¹⁾ up 10 bps
- Label joint ventures added \$0.05 earnings per Class B share

Avery

- Sales increased 33.3% to \$239.8 million on 2.6% organic growth, 27.1% acquisition contribution and 3.6% positive impact from currency translation
- Operating income⁽¹⁾ \$42.1 million, up 9.6%, 17.6% operating margin⁽¹⁾, down 370 bps

Checkpoint

- Sales declined 1.9% to \$222.6 million on 2.2% organic decline, and 1.5% negative impact from foreign currency translation, partially offset by 1.8% acquisition contribution
- Operating income⁽¹⁾ \$34.6 million, down 4.9%, 15.5% operating margin⁽¹⁾, down 50 bps

Innovia

- Sales decreased 10.7% to \$177.7 million with 12.2% organic decline partially offset by 1.5% positive impact from foreign currency translation
- Operating income⁽¹⁾ \$2.6 million, down 79.2%, 1.5% operating margin⁽¹⁾, down 480 bps

CCL will host a webcast at 7:30 a.m. ET on February 23, 2023, to discuss these results.

The quarterly results review presentation, including outlook commentary, are posted on the Company’s website at <https://www.cclind.com/investors/investor-presentations/>

To access the webcast or webcast replay, please use the following webcast link:

<https://www.webcaster4.com/Webcast/Page/2807/47534>

To access the audio/listen only live webcast, please use the following numbers:

Toll Free: 888-506-0062

International: 973-528-0011

Conference Entry Code (CEC): 281197

Replay of the webcast will be available Thursday, February 23, 2023 until Sunday, March 26, 2023.

For more information on CCL, visit our website - www.cclind.com or contact:

Sean Washchuk

Senior Vice President
and Chief Financial Officer

416-756-8526

Forward-looking Statements

This press release contains forward-looking information and forward-looking statements (hereinafter collectively referred to as “forward-looking statements”), as defined under applicable securities laws, that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by the words “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans” or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this press release contains forward-looking statements regarding the adequacy of the Company’s financial liquidity; the impact of foreign currency exchange rates in 2023; and the Company’s expectations regarding general business and economic conditions.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological change; changes in government regulations; risks associated with operating and product hazards; and the Company’s ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company’s actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: global economic environment and higher consumer spending; improved customer demand for the Company’s products; continued historical growth trends, market growth in specific sectors and entering into new sectors; the Company’s ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company’s focused strategies and operational approach; the achievement of the Company’s plans for improved efficiency and lower costs, including stable aluminum costs; the availability of cash and credit; fluctuations of currency exchange rates; fluctuations in resin prices; the Company’s continued relations with its customers; and economic conditions. Should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found in the 2022 Annual Report, Management’s Discussion and Analysis, particularly under Section 4: “Risks and Uncertainties.” CCL Industries Inc.’s annual and quarterly reports can be found online at www.cclind.com and www.sedar.com or are available upon request.

Except as otherwise indicated, forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on the Company’s business. Such statements do not, unless otherwise specified by the Company, reflect the impact of dispositions, sales of assets, monetizations, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them and therefore cannot be described in a meaningful way in advance of knowing specific facts. The forward-looking statements are provided as of the date of this press release and the Company does not assume any obligation to update or revise the forward-looking statements to reflect new events or circumstances, except as required by law.

The financial information presented herein has been prepared on the basis of IFRS for financial statements and is expressed in Canadian dollars unless otherwise stated.

Financial Information

CCL Industries Inc.

Consolidated statements of financial position Unaudited

In millions of Canadian dollars

| | <u>As at December 31, 2022</u> | <u>As at December 31, 2021</u> |
|---|--------------------------------|--------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 839.5 | \$ 602.1 |
| Trade and other receivables | 1,100.5 | 1,083.8 |
| Inventories | 785.1 | 677.3 |
| Prepaid expenses | 50.0 | 46.5 |
| Income taxes recoverable | 44.6 | 37.9 |
| Total current assets | 2,819.7 | 2,447.6 |
| Non-current assets | | |
| Property, plant and equipment | 2,212.3 | 1,910.3 |
| Right-of-use assets | 180.2 | 145.5 |
| Goodwill | 2,193.5 | 1,975.1 |
| Intangible assets | 1,018.3 | 991.1 |
| Deferred tax assets | 71.5 | 47.7 |
| Equity-accounted investments | 79.5 | 68.4 |
| Other assets | 23.9 | 25.8 |
| Derivative instruments | 65.5 | 16.3 |
| Total non-current assets | 5,844.7 | 5,180.2 |
| Total assets | \$ 8,664.4 | \$ 7,627.8 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | \$ 1,394.4 | \$ 1,321.5 |
| Current portion of long-term debt | 6.6 | 15.3 |
| Lease liabilities | 40.0 | 32.7 |
| Income taxes payable | 60.3 | 48.5 |
| Derivative instruments | 0.1 | - |
| Total current liabilities | 1,501.4 | 1,418.0 |
| Non-current liabilities | | |
| Long-term debt | 2,175.6 | 1,691.4 |
| Lease liabilities | 139.6 | 111.9 |
| Deferred tax liabilities | 311.7 | 286.6 |
| Employee benefits | 256.9 | 315.5 |
| Provisions and other long-term liabilities | 14.0 | 15.2 |
| Derivative instruments | - | 42.2 |
| Total non-current liabilities | 2,897.8 | 2,462.8 |
| Total liabilities | 4,399.2 | 3,880.8 |
| Equity | | |
| Share capital | 468.4 | 462.1 |
| Contributed surplus | 132.0 | 103.6 |
| Retained earnings | 3,730.2 | 3,422.7 |
| Accumulated other comprehensive loss | (65.4) | (241.4) |
| Total equity attributable to shareholders of the Company | 4,265.2 | 3,747.0 |
| Total liabilities and equity | \$ 8,664.4 | \$ 7,627.8 |

CCL Industries Inc.

Consolidated income statements Unaudited

| | <u>Three Months Ended December 31</u> | | <u>Twelve Months Ended December 31</u> | |
|--|---|-----------------|--|-----------------|
| <i>In millions of Canadian dollars, except per share information</i> | 2022 | 2021 | 2022 | 2021 |
| Sales | \$ 1,587.2 | \$ 1,488.8 | \$ 6,382.2 | \$ 5,732.8 |
| Cost of sales | 1,167.3 | 1,098.4 | 4,667.0 | 4,140.7 |
| Gross profit | 419.9 | 390.4 | 1,715.2 | 1,592.1 |
| Selling, general and administrative expenses | 226.2 | 199.8 | 852.6 | 761.4 |
| Restructuring and other items | 3.4 | 1.1 | 11.7 | 4.4 |
| Earnings in equity-accounted investments | (9.0) | (4.8) | (19.9) | (11.2) |
| | 199.3 | 194.3 | 870.8 | 837.5 |
| Finance cost | 25.4 | 18.4 | 72.2 | 59.4 |
| Finance income | (9.3) | (5.7) | (12.9) | (7.7) |
| Interest on lease liabilities | 1.5 | 1.2 | 5.5 | 5.2 |
| Net finance cost | 17.6 | 13.9 | 64.8 | 56.9 |
| Earnings before income tax | 181.7 | 180.4 | 806.0 | 780.6 |
| Income tax expense | 36.5 | 35.3 | 183.3 | 181.5 |
| Net earnings | \$ 145.2 | \$ 145.1 | \$ 622.7 | \$ 599.1 |
| Earnings per share | | | | |
| Basic earnings per Class B share | \$ 0.82 | \$ 0.80 | \$ 3.50 | \$ 3.33 |
| Diluted earnings per Class B share | \$ 0.82 | \$ 0.80 | \$ 3.48 | \$ 3.31 |

CCL Industries Inc.

Consolidated statements of cash flows

Unaudited

| <i>In millions of Canadian dollars</i> | Three Months Ended | | Twelve Months Ended | |
|---|---------------------------|-----------------|----------------------------|-----------------|
| | December 31 | | December 31 | |
| | 2022 | 2021 | 2022 | 2021 |
| Cash provided by (used for) | | | | |
| Operating activities | | | | |
| Net earnings | \$ 145.2 | \$ 145.1 | \$ 622.7 | \$ 599.1 |
| Adjustments for: | | | | |
| Property, plant and equipment depreciation | 66.3 | 61.7 | 257.1 | 245.3 |
| Right-of-use assets depreciation | 11.6 | 10.4 | 42.1 | 39.6 |
| Intangible amortization | 17.4 | 14.5 | 66.1 | 57.5 |
| Earnings in equity-accounted investments, net of dividends received | (9.0) | (4.8) | (13.5) | (5.0) |
| Net finance costs | 17.6 | 13.9 | 64.8 | 56.9 |
| Current income tax expense | 38.8 | 33.6 | 210.9 | 191.2 |
| Deferred income tax expense (recovery) | (2.3) | 1.7 | (27.6) | (9.7) |
| Equity-settled share-based payment transactions | 9.5 | 9.7 | 38.6 | 28.3 |
| Loss (gain) on sale of property, plant and equipment | 0.2 | (3.2) | (13.8) | (5.9) |
| | 295.3 | 282.6 | 1,247.4 | 1,197.3 |
| Change in inventories | 36.1 | 6.1 | (69.6) | (125.9) |
| Change in trade and other receivables | 133.0 | 53.2 | 23.6 | (129.5) |
| Change in prepaid expenses | 7.6 | 5.0 | (0.6) | (9.0) |
| Change in trade and other payables | 26.4 | 29.5 | 41.9 | 164.0 |
| Change in income taxes receivable and payable | (2.5) | (1.9) | (4.0) | (2.5) |
| Change in employee benefits | (16.0) | (4.5) | (12.7) | (20.4) |
| Change in other assets and liabilities | 12.1 | 2.2 | 30.4 | 9.6 |
| | 492.0 | 372.2 | 1,256.4 | 1,083.6 |
| Net interest paid | (25.5) | (22.1) | (56.7) | (48.1) |
| Income taxes paid | (63.3) | (43.2) | (206.9) | (196.8) |
| Cash provided by operating activities | 403.2 | 306.9 | 992.8 | 838.7 |
| Financing activities | | | | |
| Proceeds on issuance of long-term debt | 1.2 | 35.3 | 1,010.7 | 41.3 |
| Repayment of long-term debt | (98.9) | (48.4) | (676.6) | (274.7) |
| Repayment of lease liabilities | (11.4) | (9.0) | (41.8) | (36.1) |
| Proceeds from issuance of shares | - | 1.2 | 5.4 | 50.5 |
| Repurchase of shares | - | - | (200.0) | - |
| Dividends paid | (42.4) | (37.8) | (170.3) | (151.0) |
| Cash used for financing activities | (151.5) | (58.7) | (72.6) | (370.0) |
| Investing activities | | | | |
| Additions to property, plant and equipment | (133.1) | (117.6) | (447.2) | (323.8) |
| Proceeds on disposal of property, plant and equipment | 1.5 | 7.9 | 27.8 | 16.9 |
| Business acquisitions | 0.4 | (151.7) | (287.2) | (234.4) |
| Cash used for investing activities | (131.2) | (261.4) | (706.6) | (541.3) |
| Net increase (decrease) in cash and cash equivalents | 120.5 | (13.2) | 213.6 | (72.6) |
| Cash and cash equivalents at beginning of year | 700.8 | 622.5 | 602.1 | 703.7 |
| Translation adjustments on cash and cash equivalents | 18.2 | (7.2) | 23.8 | (29.0) |
| Cash and cash equivalents at end of the year | \$ 839.5 | \$ 602.1 | \$ 839.5 | \$ 602.1 |

CCL Industries Inc.

Segment Information Unaudited

In millions of Canadian dollars

| | <u>Three Months Ended December 31</u> | | | | <u>Twelve Months Ended December 31</u> | | | |
|--|---------------------------------------|-------------------|-------------------------|-----------------|--|-------------------|-------------------------|-----------------|
| | <u>Sales</u> | | <u>Operating income</u> | | <u>Sales</u> | | <u>Operating income</u> | |
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| CCL | \$ 947.1 | \$ 883.2 | \$ 131.9 | \$ 121.5 | \$ 3,855.1 | \$ 3,498.2 | \$ 599.8 | \$ 545.8 |
| Avery | 239.8 | 179.9 | 42.1 | 38.4 | 913.6 | 708.9 | 167.6 | 148.8 |
| Checkpoint | 222.6 | 226.8 | 34.6 | 36.4 | 818.7 | 772.5 | 118.9 | 115.5 |
| Innovia | 177.7 | 198.9 | 2.6 | 12.5 | 794.8 | 753.2 | 48.1 | 81.2 |
| Total operations | <u>\$ 1,587.2</u> | <u>\$ 1,488.8</u> | <u>\$ 211.2</u> | <u>\$ 208.8</u> | <u>\$ 6,382.2</u> | <u>\$ 5,732.8</u> | <u>\$ 934.4</u> | <u>\$ 891.3</u> |
| Corporate expense | | | (17.5) | (18.2) | | | (71.8) | (60.6) |
| Restructuring and other items | | | (3.4) | (1.1) | | | (11.7) | (4.4) |
| Earnings in equity-accounted investments | | | 9.0 | 4.8 | | | 19.9 | 11.2 |
| Finance cost | | | (25.4) | (18.4) | | | (72.2) | (59.4) |
| Finance income | | | 9.3 | 5.7 | | | 12.9 | 7.7 |
| Interest on lease liabilities | | | (1.5) | (1.2) | | | (5.5) | (5.2) |
| Income tax expense | | | <u>(36.5)</u> | <u>(35.3)</u> | | | <u>(183.3)</u> | <u>(181.5)</u> |
| Net earnings | | | <u>\$ 145.2</u> | <u>\$ 145.1</u> | | | <u>\$ 622.7</u> | <u>\$ 599.1</u> |

| | <u>As at December 31</u> | | | | <u>Year Ended December 31</u> | | | |
|------------------------------|--------------------------|-------------------|--------------------------|-------------------|--------------------------------------|-----------------|-----------------------------|-----------------|
| | <u>Total Assets</u> | | <u>Total Liabilities</u> | | <u>Depreciation and Amortization</u> | | <u>Capital Expenditures</u> | |
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| CCL | \$ 4,290.6 | \$ 3,919.6 | \$ 1,178.6 | \$ 1,088.9 | \$ 234.5 | \$ 226.5 | \$ 322.9 | \$ 230.6 |
| Avery | 1,102.7 | 827.1 | 293.8 | 266.7 | 37.2 | 25.4 | 38.0 | 14.7 |
| Checkpoint | 1,117.7 | 1,101.8 | 445.0 | 538.4 | 43.0 | 39.5 | 50.8 | 31.5 |
| Innovia | 1,157.2 | 1,167.0 | 304.5 | 300.7 | 49.0 | 49.4 | 35.4 | 47.0 |
| Equity-accounted investments | 79.5 | 68.4 | - | - | - | - | - | - |
| Corporate | 916.7 | 543.9 | 2,177.3 | 1,686.1 | 1.6 | 1.6 | 0.1 | - |
| Total | <u>\$ 8,664.4</u> | <u>\$ 7,627.8</u> | <u>\$ 4,399.2</u> | <u>\$ 3,880.8</u> | <u>\$ 365.3</u> | <u>\$ 342.4</u> | <u>\$ 447.2</u> | <u>\$ 323.8</u> |

Non-IFRS Measures

(1) Operating income and operating income margin are key non-IFRS financial measures used to assist in understanding the profitability of the Company's business units. Operating income is defined as earnings before corporate expenses, net finance cost, goodwill impairment loss, earnings in equity accounted investments, restructuring and other items, and taxes. Operating income margin, also known as return on sales, is defined as operating income over sales.

(2) Adjusted EBITDA is a critical non-IFRS financial measure used extensively in the packaging industry and other industries to assist in understanding and measuring operating results. Adjusted EBITDA is also considered as a proxy for cash flow and a facilitator for business valuations. This non-IFRS financial measure is defined as earnings before net finance cost, taxes, depreciation and amortization, goodwill impairment loss, non-cash acquisition accounting adjustments to inventory, earnings in equity accounted investments and restructuring and other items. Calculations are provided below to reconcile operating income to Adjusted EBITDA. The Company believes that this is an important measure as it allows management to assess the ongoing business without the impact of net finance cost, depreciation and amortization and income tax expenses, as well as non-operating factors and one-time items. As a proxy for cash flow, it is intended to indicate the Company's ability to incur or service debt and to invest in property, plant and equipment, and it allows management to compare the business to those of the Company's peers and competitors who may have different capital or organizational structures. Adjusted EBITDA is tracked by financial analysts and investors to evaluate financial performance and is a key metric in business valuations. It is considered an important measure by lenders to the Company and is included in the financial covenants included in the senior notes and bank lines of credit.

Reconciliation of operating income to Adjusted EBITDA

Unaudited

(In millions of Canadian dollars)

| | Three months ended | | Twelve months ended | |
|--|--------------------|-------------------|---------------------|-------------------|
| | December 31 | | December 31 | |
| <u>Sales</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| CCL | \$ 947.1 | \$ 883.2 | \$ 3,855.1 | \$ 3,498.2 |
| Avery | 239.8 | 179.9 | 913.6 | 708.9 |
| Checkpoint | 222.6 | 226.8 | 818.7 | 772.5 |
| Innovia | 177.7 | 198.9 | 794.8 | 753.2 |
| Total sales | \$ 1,587.2 | \$ 1,488.8 | \$ 6,382.2 | \$ 5,732.8 |
| <u>Operating income</u> | | | | |
| CCL | \$ 131.9 | \$ 121.5 | \$ 599.8 | \$ 545.8 |
| Avery | 42.1 | 38.4 | 167.6 | 148.8 |
| Checkpoint | 34.6 | 36.4 | 118.9 | 115.5 |
| Innovia | 2.6 | 12.5 | 48.1 | 81.2 |
| Total operating income (non-IFRS measure) | 211.2 | 208.8 | 934.4 | 891.3 |
| Less: Corporate expenses | (17.5) | (18.2) | (71.8) | (60.6) |
| Add: Depreciation & amortization | 95.3 | 86.6 | 365.3 | 342.4 |
| Add: Non-cash acquisition accounting adjustment related to inventory | - | - | 3.5 | - |
| Adjusted EBITDA (non-IFRS measure) | \$ 289.0 | \$ 277.2 | \$ 1,231.4 | \$ 1,173.1 |

(3) Adjusted basic earnings per Class B share is an important non-IFRS measure to assist in understanding the ongoing earnings performance of the Company excluding items of a one-time or non-recurring nature. It is not considered a substitute for basic net earnings per Class B share but it does provide additional insight into the ongoing financial results of the Company. This non-IFRS financial measure is defined as basic net earnings per Class B share excluding gains on

business dispositions, goodwill impairment loss, non-cash acquisition accounting adjustments to inventory, restructuring and other items, and tax adjustments.

Reconciliation of Basic Earnings per Class B Share to Adjusted Basic Earnings per Class B Share

Unaudited

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|-----------------------------------|----------------|------------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Basic earnings per Class B Share | \$ 0.82 | \$ 0.80 | \$ 3.50 | \$ 3.33 |
| Net loss from restructuring and other items | 0.01 | 0.01 | 0.05 | 0.02 |
| New UK Tax Legislation | - | - | - | 0.02 |
| Non-cash acquisition accounting adjustment related to inventory | - | - | 0.02 | - |
| Adjusted Basic Earnings per Class B Share | \$ 0.83 | \$ 0.81 | \$ 3.57 | \$ 3.37 |

⁽⁴⁾ Free Cash Flow from Operations – A measure indicating the relative amount of cash generated by the Company during the year and available to fund dividends, debt repayments and acquisitions. It is calculated as cash flow from operations less capital expenditures, net of proceeds from the sale of property, plant and equipment.

The following table reconciles the measure of free cash flow from operations to IFRS measures reported in the consolidated statements of cash flows for the periods ended as indicated.

| Free Cash Flow from Operations Unaudited (In millions of Canadian dollars) | December 31, | |
|--|-----------------|-----------------|
| | 2022 | 2021 |
| Cash provided by operating activities | \$ 992.8 | \$ 838.7 |
| Less: Additions to property, plant and equipment | (447.2) | (323.8) |
| Add: Proceeds on disposal of property, plant and equipment | 27.8 | 16.9 |
| Free cash flow from operations | \$ 573.4 | \$ 531.8 |

⁽⁵⁾ Leverage ratio is a measure that indicates the Company's ability to service its existing debt. Leverage ratio is calculated as net debt divided by Adjusted EBITDA.

| | <u>December 31, 2022</u> |
|--|--------------------------|
| Unaudited (In millions of Canadian dollars) | |
| Current portion of long-term debt | \$ 6.6 |
| Current lease liabilities | 40.0 |
| Long-term debt | 2,175.6 |
| Long-term lease liabilities | 139.6 |
| Total debt | 2,361.8 |
| Cash and cash equivalents | (839.5) |
| Net debt | \$ 1,522.3 |
| Adjusted EBITDA for 12 months ending December 31, 2022 | \$ 1,231.4 |
| Leverage Ratio | 1.24 |

Supplemental Financial Information

Sales Change Analysis Revenue Growth Rates (%)

| | Three Months Ended December 31, 2022 | | | | Twelve Months Ended December 31, 2022 | | | |
|------------|--------------------------------------|--------------------|----------------|---------|---------------------------------------|--------------------|----------------|-------|
| | Organic Growth | Acquisition Growth | FX Translation | Total | Organic Growth | Acquisition Growth | FX Translation | Total |
| CCL | 1.8% | 2.2% | 3.2% | 7.2% | 8.3% | 2.3% | (0.4%) | 10.2% |
| Avery | 2.6% | 27.1% | 3.6% | 33.3% | 7.1% | 21.3% | 0.5% | 28.9% |
| Checkpoint | (2.2%) | 1.8% | (1.5%) | (1.9%) | 3.8% | 5.5% | (3.3%) | 6.0% |
| Innovia | (12.2%) | - | 1.5% | (10.7%) | 6.8% | - | (1.3%) | 5.5% |
| Total | (0.6%) | 4.9% | 2.3% | 6.6% | 7.3% | 4.8% | (0.8%) | 11.3% |

Business Description

CCL Industries Inc. employs approximately 25,300 people operating 205 production facilities in 43 countries with corporate offices in Toronto, Canada, and Framingham, Massachusetts. CCL is the world's largest converter of pressure sensitive and specialty extruded film materials for a wide range of decorative, instructional, functional and security applications for government institutions and large global customers in the consumer packaging, healthcare & chemicals, consumer electronic device and automotive markets. Extruded & laminated plastic tubes, aluminum aerosols & specialty bottles, folded instructional leaflets, precision decorated & die cut components, electronic displays, polymer banknote substrate and other complementary products and services are sold in parallel to specific end-use markets. Avery is the world's largest supplier of labels, specialty converted media and software solutions for short-run digital printing applications for businesses and consumers available alongside complementary products sold through distributors, mass market stores and e-commerce retailers. Checkpoint is a leading developer of RF and RFID based technology systems for loss prevention and inventory management applications, including labeling and tagging solutions, for the retail and apparel industries worldwide. Innovia is a leading global producer of specialty, high performance, multi-layer, surface engineered films for label, packaging and security applications. The Company is partly backward integrated into materials science with capabilities in polymer extrusion, adhesive development, coating & lamination, surface engineering and metallurgy; deployed as needed across the four business segments.