

CCL Industries Inc.

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News Release

For Immediate Release, Wednesday, May 10, 2023

Stock Symbols: TSX – CCL.A and CCL.B

CCL Industries Announces 2023 First Quarter Results

First Quarter Highlights

- **Per Class B share⁽³⁾: \$0.94 adjusted basic earnings up 10.6%; \$0.94 basic earnings up 11.9%; currency translation positive \$0.05 per share**
- **Sales increased 8.6% on 1.4% organic growth, 3.0% acquisitions and 4.2% positive currency translation**
- **Operating income⁽¹⁾ improved 12.7%, with a 15.6% operating margin⁽¹⁾ up 60 bps**

Toronto, May 10, 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 2023 first quarter results.

Sales for the first quarter of 2023 increased 8.6% to \$1,652.1 million, compared to \$1,521.7 million for the first quarter of 2022, with organic growth of 1.4%, acquisition-related growth of 3.0% and 4.2% positive impact from foreign currency translation.

Operating income⁽¹⁾ for the first quarter of 2023 increased 12.7% to \$257.7 million compared to \$228.6 million for the comparable quarter of 2022. Operating income⁽¹⁾ improved 7.5%, excluding currency translation.

The Company recorded an expense of \$0.8 million for restructuring and other items in the first quarter of 2023 compared to an expense of \$1.8 million for the first quarter of 2022. Restructuring and other items for the 2023 first quarter were mainly comprised of severance costs associated with the CCL Design electronics business.

Tax expense for the first quarter of 2023 was \$54.3 million compared to \$47.5 million in the prior year period. The effective tax rate for the 2023 first quarter was 24.9% compared to 24.4% for the 2022 first quarter, reflecting a higher portion of taxable income earned in higher taxed jurisdictions.

Net earnings increased 10.8% to \$166.4 million for the 2023 first quarter compared to \$150.2 million for the 2022 first quarter. Basic and adjusted basic earnings per Class B share⁽³⁾ were \$0.94 for the 2023 first quarter, compared to basic and adjusted basic earnings per Class B share⁽³⁾ of \$0.84 and \$0.85, respectively, in the prior year first quarter.

Geoffrey T. Martin, President and Chief Executive Officer, commented, “I am pleased to report first quarter results ahead of internal expectations. The CCL Segment and Checkpoint both posted organic sales growth and solid improvements in profitability while Avery had an outstanding quarter. Innovia results improved sequentially compared to the fourth quarter of 2022 but were below prior year first quarter. This all summed to a 10.6% increase in adjusted basic earnings to \$0.94 per Class B share⁽³⁾, compared to the first quarter of 2022.”

Mr. Martin continued, “The CCL Segment delivered 2.7% organic sales growth and modest profitability gains as a number of end markets slowed. Home & Personal Care results benefitted from comparatively stronger label demand internationally and excellent performance at CCL Container, more than offset by softer markets for labels and tubes in the United States, albeit versus a strong prior year. Healthcare sales and profitability improved dramatically globally, only partly offset by mixed results in AgChem with soft lawn and garden markets in North America and start-up costs for a new plant in Germany. Food & Beverage recorded good organic sales growth with modest profitability gains, as cost inflation passed its peak and price increases took hold. CCL Design automotive posted strong sales gains and improved profitability in all markets but could not offset weak global demand in electronics, compounded in China by COVID-related challenges early in the first quarter. After a slow fourth quarter of 2022, CCL Secure rebounded with strong sales and profitability gains. Earnings from our label joint ventures declined modestly on foreign exchange challenges. Avery delivered very strong 14.5% organic sales growth augmented by solid contributions from the recent Adelbras and Floramedia acquisitions. Distribution channel inventory rebuild following a destocking period in the second half of 2022 drove better results for legacy printable media and organization products while direct-to-consumer growth was robust, especially in badges and ID cards. Checkpoint’s strong results in MAS products more than offset slower end market demand for apparel labels; nevertheless, RFID volumes continued to grow. Solid sequential profit gains at Innovia, especially in the Americas, could not offset the impact of very weak volume conditions in the label materials industry in North America and Europe. However, resin indices, energy and transportation costs stabilized and eased comparatively.”

Mr. Martin noted, “Foreign currency translation had a positive \$0.05 impact on earnings per Class B share for the first quarter of 2023. At today’s Canadian dollar exchange rates, currency translation would be a tailwind, if sustained, for the second quarter of 2023.”

Mr. Martin concluded, “The Company finished the quarter with a strong balance sheet and robust liquidity. The Company’s consolidated leverage ratio⁽⁵⁾ was 1.25 times Adjusted EBITDA⁽²⁾ with \$787.1 million cash-on-hand and US\$0.9 billion undrawn capacity on its syndicated revolving credit facility, leaving the Company well placed to fund global expansion. The Board of Directors approved a dividend of \$0.265 per Class B non-voting share and \$0.2625 per Class A voting share to shareholders of record as of June 16, 2023, and payable June 30, 2023.”

2023 First Quarter Highlights

CCL

- Sales increased 7.5% to \$1,013.1 million, on 2.7% organic growth and 4.8% positive impact from currency translation
- Regional organic sales growth: double digit in Europe and Latin America, modest decline in North America, double digit decline in Asia Pacific
- Operating income⁽¹⁾ \$165.4 million, up 8.2%; 16.3% operating margin⁽¹⁾ up 10 bps
- Label joint ventures added \$0.02 earnings per Class B share

Avery

- Sales increased 44.4% to \$260.3 million, with 14.5% organic growth, 24.9% acquisition contribution and 5.0% positive impact from foreign currency translation
- Operating income⁽¹⁾ \$50.6 million, up 49.3%, 19.4%; operating margin⁽¹⁾, up 60 bps

Checkpoint

- Sales increased 3.6% to \$210.4 million, on organic growth of 1.5% and 2.1% positive impact from foreign currency translation
- Operating income⁽¹⁾ \$30.8 million, up 15.8%; 14.6% operating margin⁽¹⁾, up 150 bps

Innovia

- Sales declined 14.3% to \$168.3 million with 17.5% organic decline, partially offset by 3.2% positive impact from foreign currency translation
- Operating income⁽¹⁾ \$10.9 million, down 28.8%; 6.5% operating margin⁽¹⁾, down 130 bps

The Company will hold a webcast at 7:30 a.m. ET on May 11, 2023, to discuss these results.

The quarterly results review presentation, including outlook commentary, is 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 link:

<https://www.webcaster4.com/Webcast/Page/2807/48149>

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

Toll Free: 1-877-545-0320

International: 1-973-528-0002

Conference Entry Code (CEC): 454833

Replay of the webcast will be available Thursday, May 11, 2023, until Sunday, June 11, 2023.

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

Sean Washchuk

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and Chief Financial Officer

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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 anticipated growth in sales, the expectation that the depicted strength of the Company's balance sheet will be able to fund its global expansion initiatives and the impact of foreign currency exchange rates on the 2023 second quarter; income and profitability of the Company's segments; 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 condensed interim statements of financial position Unaudited

In millions of Canadian dollars

	<u>As at March 31, 2023</u>	<u>As at December 31, 2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 787.1	\$ 839.5
Trade and other receivables	1,185.6	1,100.5
Inventories	800.2	785.1
Prepaid expenses	44.7	50.0
Income taxes recoverable	23.4	44.6
Total current assets	2,841.0	2,819.7
Non-current assets		
Property, plant and equipment	2,288.7	2,212.3
Right-of-use assets	188.4	180.2
Goodwill	2,188.2	2,193.5
Intangible assets	1,007.7	1,018.3
Deferred tax assets	77.2	71.5
Equity-accounted investments	73.8	79.5
Other assets	23.5	23.9
Derivative instruments	58.0	65.5
Total non-current assets	5,905.5	5,844.7
Total assets	\$ 8,746.5	\$ 8,664.4
Liabilities		
Current liabilities		
Trade and other payables	\$ 1,284.6	\$ 1,394.4
Current portion of long-term debt	5.9	6.6
Lease liabilities	41.1	40.0
Income taxes payable	60.8	60.3
Derivative instruments	-	0.1
Total current liabilities	1,392.4	1,501.4
Non-current liabilities		
Long-term debt	2,178.5	2,175.6
Lease liabilities	146.8	139.6
Deferred tax liabilities	321.4	311.7
Employee benefits	259.3	256.9
Provisions and other long-term liabilities	15.4	14.0
Total non-current liabilities	2,921.4	2,897.8
Total liabilities	4,313.8	4,399.2
Equity		
Share capital	494.2	468.4
Contributed surplus	126.0	132.0
Retained earnings	3,852.3	3,730.2
Accumulated other comprehensive loss	(39.8)	(65.4)
Total equity attributable to shareholders of the Company	4,432.7	4,265.2
Total liabilities and equity	\$ 8,746.5	\$ 8,664.4

CCL Industries Inc.

Consolidated condensed interim income statements Unaudited

Three Months Ended March 31

*In millions of Canadian dollars,
except per share information*

	2023	2022
Sales	\$ 1,652.1	\$ 1,521.7
Cost of sales	1,178.9	1,108.8
Gross profit	473.2	412.9
Selling, general and administrative expenses	235.4	201.9
Restructuring and other items	0.8	1.8
Earnings in equity-accounted investments	(3.1)	(3.2)
	240.1	212.4
Finance cost	20.0	14.1
Finance income	(2.3)	(0.7)
Interest on lease liabilities	1.7	1.3
Net finance cost	19.4	14.7
Earnings before income tax	220.7	197.7
Income tax expense	54.3	47.5
Net earnings for the period	\$ 166.4	\$ 150.2
Earnings per share		
Basic earnings per Class B share	\$ 0.94	\$ 0.84
Diluted earnings per Class B share	\$ 0.93	\$ 0.83

CCL Industries Inc.

Consolidated condensed interim statements of cash flows Unaudited

<i>In millions of Canadian dollars</i>	Three Months Ended March 31	
	2023	2022
Cash provided by (used for)		
Operating activities		
Net earnings	\$ 166.4	\$ 150.2
Adjustments for:		
Property, plant and equipment depreciation	67.5	64.3
Right-of-use assets depreciation	11.9	9.9
Intangible amortization	17.2	16.3
Earnings in equity-accounted investments, net of dividends received	4.3	(3.2)
Net finance costs	19.4	14.7
Current income tax expense	55.2	51.0
Deferred income tax recovery	(0.9)	(3.5)
Equity-settled share-based payment transactions	10.3	9.6
Gain on sale of property, plant and equipment	(1.1)	(0.5)
	350.2	308.8
Change in inventories	(15.1)	(50.2)
Change in trade and other receivables	(85.0)	(32.7)
Change in prepaid expenses	5.3	4.1
Change in trade and other payables	(126.1)	(58.1)
Change in income taxes receivable and payable	2.3	3.0
Change in employee benefits	5.8	(5.7)
Change in other assets and liabilities	7.7	(5.3)
	145.1	163.9
Net interest paid	(5.3)	(2.3)
Income taxes paid	(33.7)	(27.3)
Cash provided by operating activities	106.1	134.3
Financing activities		
Proceeds on issuance of long-term debt	9.3	234.1
Repayment of long-term debt	(4.1)	(4.3)
Repayment of lease liabilities	(11.4)	(9.7)
Proceeds from issuance of shares	9.5	2.9
Repurchase of shares	-	(100.0)
Dividends paid	(47.0)	(42.9)
Cash provided by (used for) financing activities	(43.7)	80.1
Investing activities		
Additions to property, plant and equipment	(123.9)	(96.9)
Proceeds on disposal of property, plant and equipment	1.3	0.7
Business acquisitions	-	(94.3)
Cash used for investing activities	(122.6)	(190.5)
Net increase (decrease) in cash and cash equivalents	(60.2)	23.9
Cash and cash equivalents at beginning of the period	839.5	602.1
Translation adjustments on cash and cash equivalents	7.8	(9.1)
Cash and cash equivalents at end of the period	\$ 787.1	\$ 616.9

CCL Industries Inc.

Segment Information Unaudited

In millions of Canadian dollars

	<u>Three Months Ended March 31</u>			
	<u>Sales</u>		<u>Operating income</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
CCL	\$ 1,013.1	\$ 942.0	\$ 165.4	\$ 152.8
Avery	260.3	180.3	50.6	33.9
Checkpoint	210.4	203.0	30.8	26.6
Innovia	168.3	196.4	10.9	15.3
Total operations	<u>\$ 1,652.1</u>	<u>\$ 1,521.7</u>	<u>\$ 257.7</u>	<u>\$ 228.6</u>
Corporate expense			(19.9)	(17.6)
Restructuring and other items			(0.8)	(1.8)
Earnings in equity-accounted investments			3.1	3.2
Finance cost			(20.0)	(14.1)
Finance income			2.3	0.7
Interest on lease liabilities			(1.7)	(1.3)
Income tax expense			(54.3)	(47.5)
Net earnings			<u>\$ 166.4</u>	<u>\$ 150.2</u>

	<u>Total Assets</u>		<u>Total Liabilities</u>		<u>Depreciation and Amortization</u>		<u>Capital Expenditures</u>	
	<u>March 31</u>	<u>December 31</u>	<u>March 31</u>	<u>December 31</u>	<u>Three Months Ended March 31</u>		<u>Three Months Ended March 31</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
CCL	\$ 4,344.8	\$ 4,290.6	\$ 1,077.5	\$ 1,178.6	\$ 61.9	\$ 59.4	\$ 73.9	\$ 69.6
Avery	1,147.4	1,102.7	294.7	293.8	10.5	8.2	4.0	3.7
Checkpoint	1,133.2	1,117.7	433.0	445.0	11.3	10.4	21.0	8.0
Innovia	1,180.5	1,157.2	294.8	304.5	12.4	12.1	25.0	15.6
Equity-accounted investments	73.8	79.5	-	-	-	-	-	-
Corporate	866.8	916.7	2,213.8	2,177.3	0.5	0.4	-	-
Total	<u>\$ 8,746.5</u>	<u>\$ 8,664.4</u>	<u>\$ 4,313.8</u>	<u>\$ 4,399.2</u>	<u>\$ 96.6</u>	<u>\$ 90.5</u>	<u>\$ 123.9</u>	<u>\$ 96.9</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 March 31			
<u>Sales</u>		<u>2023</u>		<u>2022</u>
CCL	\$	1,013.1	\$	942.0
Avery		260.3		180.3
Checkpoint		210.4		203.0
Innovia		168.3		196.4
Total sales	\$	1,652.1	\$	1,521.7
<u>Operating income</u>				
CCL	\$	165.4	\$	152.8
Avery		50.6		33.9
Checkpoint		30.8		26.6
Innovia		10.9		15.3
Total operating income (non-IFRS measure)		257.7		228.6
Less: Corporate expenses		(19.9)		(17.6)
Add: Depreciation & amortization		96.6		90.5
Adjusted EBITDA (non-IFRS measure)	\$	334.4	\$	301.5

(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 March 31	
	<u>2023</u>	<u>2022</u>
Basic earnings per Class B Share	\$ 0.94	\$ 0.84
Net loss from restructuring and other items	-	0.01
Adjusted Basic Earnings per Class B Share	\$ 0.94	\$ 0.85

⁽⁴⁾ Free cash flow from operations is 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 condensed interim statements of cash flows for the period ended as indicated.

Free Cash Flow from Operations	<u>March 31, 2023</u>
(In millions of Canadian dollars)	
Cash provided by operating activities	\$ 106.1
Less: Additions to property, plant and equipment	(123.9)
Add: Proceeds on disposal of property, plant and equipment	1.3
Free cash flow from operations	\$ (16.5)

⁽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>March 31, 2023</u>
Unaudited	
(In millions of Canadian dollars)	
Current portion of long-term debt	\$ 5.9
Current lease liabilities	41.1
Long-term debt	2,178.5
Long-term lease liabilities	146.8
Total debt	2,372.3
Cash and cash equivalents	(787.1)
Net debt	\$ 1,585.2
Adjusted EBITDA for 12 months ending March 31, 2023 (see below)	\$ 1,264.3
Leverage Ratio	1.25
Adjusted EBITDA for 12 months ended December 31, 2022	\$ 1,231.4
less: Adjusted EBITDA for three months ended March 31, 2022	(301.5)
add: Adjusted EBITDA for three months ended March 31, 2023	334.4
Adjusted EBITDA for 12 months ended March 31, 2023	\$ 1,264.3

Supplemental Financial Information

Sales Change Analysis Revenue Growth Rates (%)

	Three Months Ended March 31, 2023			
	Organic Growth	Acquisition Growth	FX Translation	Total
CCL	2.7%	-	4.8%	7.5%
Avery	14.5%	24.9%	5.0%	44.4%
Checkpoint	1.5%	-	2.1%	3.6%
Innovia	(17.5%)	-	3.2%	(14.3%)
Total	1.4%	3.0%	4.2%	8.6%

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.