

Avery Dennison Corp  
Form 10-Q  
April 30, 2019  
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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 30, 2019.

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-7685

**AVERY DENNISON CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware

95-1492269

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

207 Goode Avenue
Glendale, California
(Address of Principal Executive Offices)

91203
(Zip Code)

Registrant's telephone number, including area code: (626) 304-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

x Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company o Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No x

Number of shares of \$1 par value common stock outstanding as of April 27, 2019: 84,415,853

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**AVERY DENNISON CORPORATION**

**FISCAL FIRST QUARTER 2019 QUARTERLY REPORT ON FORM 10-Q**

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**Safe Harbor Statement**

The matters discussed in this Quarterly Report contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which are not statements of historical fact, contain estimates, assumptions, projections and/or expectations regarding future events, which may or may not occur. Words such as aim, anticipate, assume, believe, continue, could, estimate, expect, foresee, guidance, intend, may, might, objective, plan, potential, project, seek, shall, should, target, will, and other expressions that refer to future events and trends, identify forward-looking statements. These forward-looking statements, and financial or other business targets, are subject to certain risks and uncertainties, which could cause our actual results to differ materially from the expected results, performance or achievements expressed or implied by such forward-looking statements.

Certain risks and uncertainties are discussed in more detail under Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 include, 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 our markets due to competitive conditions, technological developments, laws and regulations, and 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 U.S. Tax Cuts and Jobs Act and regulations issued related thereto, and uncertainties associated with interpretations of such laws and regulations; outcome of tax audits; fluctuations in pension, insurance, and employee benefit costs; 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.

Our forward-looking statements are made only as of the date hereof. We assume no duty to update these forward-looking statements to reflect new, changed or unanticipated events or circumstances, other than as may be required by law.

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED BALANCE SHEETS***(Unaudited)*

(In millions, except per share amount)	March 30, 2019	December 29, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 225.7	\$ 232.0
Trade accounts receivable, less allowances of \$22.1 and \$21.1 at March 30, 2019 and December 29, 2018, respectively	1,198.7	1,189.7
Inventories, net	688.3	651.4
Other current assets	211.0	224.9
<b>Total current assets</b>	<b>2,323.7</b>	<b>2,298.0</b>
Property, plant and equipment, net	1,144.9	1,137.4
Goodwill	937.2	941.8
Other intangibles resulting from business acquisitions, net	140.6	144.0
Non-current deferred income taxes	191.5	205.3
Other assets	615.8	451.0
	<b>\$ 5,353.7</b>	<b>\$ 5,177.5</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Short-term borrowings and current portion of long-term debt and finance leases	\$ 350.3	\$ 194.6
Accounts payable	1,033.7	1,030.5
Accrued payroll and employee benefits	159.1	217.9
Other current liabilities	497.4	551.0
<b>Total current liabilities</b>	<b>2,040.5</b>	<b>1,994.0</b>
Long-term debt and finance leases	1,759.9	1,771.6
Long-term retirement benefits and other liabilities	441.0	334.7
Non-current deferred and payable income taxes	120.4	122.1
Commitments and contingencies (see Note 13)		
Shareholders' equity:		
Common stock, \$1 par value per share, authorized 400,000,000 shares at March 30, 2019 and December 29, 2018; issued 124,126,624 shares at March 30, 2019 and December 29, 2018; outstanding 84,399,377 shares and 84,723,655 shares at March 30, 2019 and December 29, 2018, respectively	124.1	124.1
Capital in excess of par value	851.5	872.0
Retained earnings	2,663.5	2,864.9
Treasury stock at cost, 39,727,247 shares and 39,402,969 shares at March 30, 2019 and December 29, 2018, respectively	(2,287.8)	(2,223.9)
Accumulated other comprehensive loss	(359.4)	(682.0)

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Total shareholders' equity	991.9	955.1
	\$ 5,353.7	\$ 5,177.5

See Notes to Unaudited Condensed Consolidated Financial Statements

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Avery Dennison Corporation

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS***(Unaudited)*

(In millions, except per share amounts)	<b>Three Months Ended</b>	
	<b>March 30, 2019</b>	<b>March 31, 2018</b>
Net sales	\$ 1,740.1	\$ 1,776.4
Cost of products sold	1,274.7	1,293.0
Gross profit	465.4	483.4
Marketing, general and administrative expense	276.3	295.0
Other expense, net	7.5	12.8
Interest expense	19.5	13.2