First Quarter 2019 Conference Call

Investor Presentation



St. Paul, MN
March 28, 2019

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Safe Harbor & Regulation G

Safe Harbor Statement

Certain matters discussed today may include 'forward looking statements' as that term is defined under the Private Securities Litigation Reform Act of 1995. Since such statements reflect our current expectations, actual results may differ as they are subject to the kinds of risks that are enumerated in the Company's Securities and Exchange Commission (SEC) filings.

The Company disclaims any obligation to subsequently revise any forward-looking statements to reflect actual events or circumstances after the date of such statements.

Regulation G

The information presented during today's meeting regarding adjusted gross profit, adjusted selling, general and administrative expense, adjusted diluted earnings per share, earnings before interest, taxes, depreciation, and amortization (EBITDA) and constant currency revenue does not conform to generally accepted accounting principles (GAAP) and should not be construed as an alternative to the reported results determined in accordance with GAAP. Management has included this non-GAAP information to assist in understanding the operating performance of the Company and its operating segments as well as the comparability of results. The non-GAAP information provided may not be consistent with the methodologies used by other companies. All non-GAAP information is reconciled with reported GAAP results in the tables below with the exception of our forward looking non-GAAP measures contained in our fiscal 2019 outlook, which are unknown or have not yet occurred.

Additional Information

Please refer to our recent press release and annual report for the year ended December 1, 2018, on Form 10-K, filed with the Securities and Exchange Commission, and available on our website at www.hbfuller.com in the Investor Relations section.

Q1’19 Business Summary

Q1’19 Highlights

- Q1’19 earnings on-track with guidance
- Pricing, strength in targeted growth markets and synergies offset FX and weather impacts on construction-related business
- EBITDA up YoY, at constant currency
- Delivered $3 million of Royal synergies
- Debt paydown of $12M from Q4’18, on track for $200M FY’19 target

2019 Imperatives

- Increase EBITDA by effectively managing product lines, pricing and operations
- Deliver additional $15 million in Royal synergies
- Repay additional $200 million of debt

Q1 2019 Segment Summary

EIMEA
- Low single digit organic growth
- New generation IG volume growth offset by market slowdown in core Durable Assembly, Paper & Polymer
- Negative FX impact on EBITDA

Americas Adhesives
- Modest organic growth from pricing
- Strong packaging sales
- EBITDA margin up 30 bps

Asia Pacific
- Flat organic sales
- Good growth in SE Asia; China stabilizing
- EBITDA margin up 250 bps

Construction Adhesives
- Repositioning of underperforming business
- Colder/wetter Q1 impacted construction / roofing volumes
- Results improving into start of Q2

Engineering Adhesives
- EBITDA up 21% versus last year
- Strong growth in Electronics and Aerospace
- Slower Automotive market

Q1 2019 Key Financial Results Summary

- Net Revenue down 5.6% year-over-year; Organic revenue down 1%
- Adjusted gross margin of 27% increased 90bps YOY
- Adjusted SG&A lower by 2.5% YoY
- Adjusted EPS of $0.34 vs. $0.35 in Q1’18
- Paid down $12M of debt, ahead of Q1’18 pace
- Reaffirming FY’19 EBITDA and adjusted EPS guidance ranges

Wrap-Up

- Q1 operating performance leveraged synergies and 2018 pricing gains
- Improved business resilience to dynamic external conditions
- Winning customer business in highly engineered applications
- Continued focus on organic revenue growth and margin improvement



H.B. Fuller



APPENDIX

Regulation G – EPS & EBITDA Reconciliation

	Three Months Ended	
	March 2, 2019	March 3, 2018
Net income attributable to H.B. Fuller	$ 12,244	$ 47,682
Adjustments:		
Acquisition project costs	84	375
Tonsan call option agreement	-	125
Organizational realignment	350	748
Royal restructuring and integration	4,365	4,928
Tax reform	55	(35,186)
Project ONE	813	1,394
Other	(392)	(1,713)
Adjusted net income attributable to H.B. Fuller[1]	17,519	18,353
Add:		
Interest expense	26,807	27,468
Interest income	(3,053)	(3,042)
Income taxes	6,050	5,733
Depreciation and amortization expense	35,528	36,665
Adjusted EBITDA[1]	82,851	85,177
Diluted shares	51,901	51,898
Adjusted diluted income per common share attributable to H.B. Fuller	$ 0.34	$ 0.35
Revenue	$ 672,935	$ 713,079
Adjusted EBITDA margin[1]	12.3%	11.9%

[1] Adjusted net income attributable to H.B. Fuller, adjusted diluted income per common share attributable to H.B. Fuller, adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures. Adjusted net income attributable to H.B. Fuller is defined as net income before the specific adjustments shown above. Adjusted diluted income per common share is defined as adjusted net income attributable to H.B. Fuller divided by the number of diluted common shares. Adjusted EBITDA is defined as net income before interest, income taxes, depreciation, amortization and the specific adjustments shown above. Adjusted EBITDA margin is defined as adjusted EBITDA divided by net revenue. The table above provides a reconciliation of adjusted net income attributable to H.B. Fuller, adjusted diluted income per common share attributable to H.B. Fuller, adjusted EBITDA and adjusted EBITDA margin to net income attributable to H.B. Fuller, the most directly comparable financial measure determined and reported in accordance with GAAP.

Regulation G – Q1 2019 Segment Information

	Three Months Ended March 2, 2019	Three Months Ended March 3, 2018
Net Revenue:		
Americas Adhesives	$ 241,950	$ 250,963
EIMEA	156,513	168,978
Asia Pacific	63,388	66,609
Construction Adhesives	82,456	98,257
Engineering Adhesives	128,628	128,272
Total H.B. Fuller	$ 672,935	$ 713,079
Segment Operating Income:		
Americas Adhesives	$ 15,695	$ 14,537
EIMEA	3,426	5,892
Asia Pacific	3,779	2,305
Construction Adhesives	(3,339)	461
Engineering Adhesives	14,651	9,611
Total H.B. Fuller	$ 34,212	$ 32,806
Adjusted EBITDA[1]		
Americas Adhesives	$ 29,244	$ 29,639
EIMEA	12,918	16,259
Asia Pacific	6,605	5,287
Construction Adhesives	7,926	12,413
Engineering Adhesives	24,675	20,373
Corporate unallocated	1,483	1,206
Total H.B. Fuller	$ 82,851	$ 85,177
Adjusted EBITDA Margin[1]		
Americas Adhesives	12.1%	11.8%
EIMEA	8.3%	9.6%
Asia Pacific	10.4%	7.9%
Construction Adhesives	9.6%	12.6%
Engineering Adhesives	19.2%	15.9%
Total H.B. Fuller	12.3%	11.9%



Regulation G – Adjusted Income Reconciliation

	Three Months Ended March 2, 2019	Three Months Ended March 3, 2018
Income before income taxes and income from equity method investments	$ 13,823	$ 13,214
Adjustments:		
Acquisition project costs	115	559
Tonsan call option agreement	-	125
Organizational realignment	475	410
Royal restructuring and integration	5,917	7,454
Tax reform	75	-
Project ONE	1,102	2,144
Other	502	(1,656)
Adjusted income before income taxes and income from equity method investments[2]	$ 22,009	$ 22,250

[2] Adjusted income before income taxes and income from equity investments is a non-GAAP financial measure. Adjusted income before income taxes and income from equity investments is defined as income before income taxes and income from equity investments before the specific adjustments shown above. The table above provides a reconciliation of adjusted income before income taxes and income from equity investments to income before income taxes and income from equity investments, the most directly comparable financial measure determined and reported in accordance with GAAP.

Regulation G – Adjusted Income Tax Reconciliation

	Three Months Ended	
	March 2, 2019	March 3, 2018
Income Taxes	$ (3,140)	$ 32,632
Adjustments:		
Acquisition project costs	(30)	(184)
Organizational realignment	(124)	338
Royal restructuring and integration	(1,552)	(2,526)
Tax reform	(20)	(35,186)
Project ONE	(289)	(750)
Other	(895)	(57)
Adjusted income taxes[3]	$ (6,050)	$ (5,733)
Adjusted income before income taxes and income from equity method investments	$ 22,009	$ 22,250
Adjusted effective income tax rate[3]	27.5%	25.8%

[3] Adjusted income taxes and adjusted effective income tax rate are non-GAAP financial measures. Adjusted income taxes is defined as income taxes before the specific adjustments shown above. Adjusted effective income tax rate is defined as income taxes divided by adjusted income before income taxes and income from equity method investments. The table above provides a reconciliation of adjusted income taxes and adjusted effective income tax rate to income taxes, the most directly comparable financial measure determined and reported in accordance with GAAP.

Regulation G – Adjusted Gross Margin Reconciliation

	Three Months Ended	
	March 2, 2019	March 3, 2018
Net revenue	672,935	713,079
Gross profit	$ 179,925	$ 185,513
Gross profit margin	26.7%	26.0%
Adjustments:		
Acquisition project costs	-	103
Organizational realignment	48	231
Royal restructuring and integration	1,419	224
Other	(3)	-
Adjusted gross profit[4]	$ 181,389	$ 186,071
Adjusted gross profit margin[4]	27.0%	26.1%

[4] Adjusted gross profit and adjusted gross profit margin are non-GAAP financial measures. Adjusted gross profit and adjusted gross profit margin is defined as gross profit and gross profit margin excluding the specific adjustments shown above. The table above provides a reconciliation of adjusted gross profit and gross profit margin to gross profit and gross profit margin, the most directly comparable financial measure determined and reported in accordance with GAAP.

Regulation G – Adjusted SG&A Reconciliation

	Three Months Ended	
	March 2, 2019	March 3, 2018
Selling, general and administrative expenses	$ (145,713)	$ (152,707)
Adjustments:		
Acquisition project costs	115	456
Tonsan call option agreement	-	48
Organizational realignment	427	179
Royal restructuring and integration	4,497	7,230
Tax reform	75	-
Project ONE	1,102	2,144
Other	506	6
Adjusted selling, general and administrative expenses[5]	$ (138,991)	$ (142,644)

[5] Adjusted selling, general and administrative expenses is a non-GAAP financial measure. Adjusted selling, general and administrative expenses is defined as selling, general and administrative expenses excluding the specific adjustments shown above. The table above provides a reconciliation of adjusted selling, general and administrative expenses to selling, general and administrative expenses, the most directly comparable financial measure determined and reported in accordance with GAAP.

Regulation G – Q1'19 Segment EBITDA Recon.

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Three Months Ended March 2, 2019								
Net income attributable to H.B. Fuller	$ 17,671	$ 4,081	$ 3,820	$ (2,653)	$ 14,736	$ 37,655	$ (25,411)	$ 12,244
Adjustments:								
Acquisition project costs	43	28	14	13	16	114	(30)	84
Organizational realignment	563	(340)	15	220	16	474	(124)	350
Royal restructuring and integration	1,584	1,803	469	1,285	776	5,917	(1,552)	4,365
Tax reform	28	18	9	9	11	75	(20)	55
Project ONE	415	270	136	125	156	1,102	(289)	813
Other	384	119	-	-	-	503	(895)	(392)
Adjusted net income attributable to H.B. Fuller[1]	20,688	5,979	4,463	(1,001)	15,711	45,840	(28,321)	17,519
Add:								
Interest expense	-	-	-	-	-	-	26,807	26,807
Interest income	-	-	-	-	-	-	(3,053)	(3,053)
Income taxes	-	-	-	-	-	-	6,050	6,050
Depreciation and amortization expense	8,556	6,939	2,142	8,927	8,964	35,528	-	35,528
Adjusted EBITDA[1]	$ 29,244	$ 12,918	$ 6,605	$ 7,926	$ 24,675	$ 81,368	$ 1,483	$ 82,851

Note: Adjusted EBITDA is a non-GAAP financial measure. The tables above provide a reconciliation of adjusted EBITDA for each segment to net income attributable to H.B. Fuller for each segment, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.

Regulation G – Q1'18 Segment EBITDA Recon.

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Three Months Ended March 3, 2018								
Net income attributable to H.B. Fuller	$ 16,399	$ 6,858	$ 2,343	$ 1,289	$ 9,796	$ 36,685	$ 10,997	$ 47,682
Adjustments:								
Acquisition project costs	492	12	7	6	42	559	(184)	375
Tonsan call option agreement	-	-	-	-	48	48	77	125
Organizational realignment	126	62	3	215	4	410	338	748
Royal Restructuring	2,942	1,561	525	1,317	1,109	7,454	(2,526)	4,928
Tax Reform	-	-	-	-	-	-	(35,186)	(35,186)
Project ONE	843	528	248	253	272	2,144	(750)	1,394
Other	2	1	1	1	1	6	(1,719)	(1,713)
Adjusted net income attributable to H.B. Fuller[1]	20,804	9,022	3,127	3,081	11,272	47,306	(28,953)	18,353
Add:								
Interest expense	-	-	-	-	-	-	27,468	27,468
Interest income	-	-	-	-	-	-	(3,042)	(3,042)
Income taxes	-	-	-	-	-	-	5,733	5,733
Depreciation and amortization expense	8,835	7,237	2,160	9,332	9,101	36,665	-	36,665
Adjusted EBITDA[1]	$ 29,639	$ 16,259	$ 5,287	$ 12,413	$ 20,373	$ 83,971	$ 1,206	$ 85,177

Adjusted EBITDA is a non-GAAP financial measure. The tables above provide a reconciliation of adjusted EBITDA for each segment to net income attributable to H.B. Fuller for each segment, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.

Revenue Growth Components

	Three Months Ended March 2, 2019 Total
Price	3.0%
Volume	(4.0%)
Organic Growth	(1.0%)
F/X	(4.6%)
Total	(5.6%)

	Three Months Ended March 2, 2019		
	Net Revenue	**F/X**	**Organic Growth**
Americas Adhesives	(3.6%)	(3.8%)	0.2%
EIMEA	(7.4%)	(8.1%)	0.7%
Asia Pacific	(4.8%)	(4.8%)	0.0%
Construction Adhesives	(16.1%)	(1.0%)	(15.1%)
Engineering Adhesives	0.3%	(4.1%)	4.4%
Total	(5.6%)	(4.6%)	(1.0%)

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