

Second Quarter 2019 Conference Call

Investor Presentation

St. Paul, MN
June 27, 2019

H.B. Fuller | Connecting what matters.™

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 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.

Q2'19 Business Summary

Q2'19 Highlights

- Q2'19 earnings in-line with guidance
- Organic sales growth up +1% YoY
  - Positive pricing contribution
  - Double-digit Engineering Adhesives growth
  - Diversity of customers and end markets
- Strong margin and cash flow performance
- Q2 debt paydown of $42 million, and $54 million YTD
- Previously announced divestiture of non-core, non-adhesive surfactant business accelerates debt paydown

2019 Imperatives

- Increase EBITDA by effectively managing product lines, pricing and operations
  - ✓ Delivering strong operational improvement
  - ✓ Growth in strategic areas, margins and cash flow
- Deliver $15 million in Royal synergies
  - ✓ $4M in Q2 and on-track to target
- Repay additional $200 million of debt
  - ✓ Target increased to $250 million

Q2 2019 Segment Summary

Americas Adhesives
- 1% organic sales growth - strong pricing contribution
- Hygiene & Packaging growth offsets construction-related weakness
- Continued adjusted EBITDA margin improvement

EIMEA
- Slower growth in Core Europe
- Strong Insulated Glass and Emerging Mkts
- Negative FX impact - revenue and EBITDA

Asia Pacific
- 1% organic sales growth; pricing & volumes up
- Good growth in SE Asia; China stablized
- Adjusted EBITDA margin up 160 bps

Construction Adhesives
- Repositioning of underperforming business
- Sequential improvement driven by improved Roofing results
- Adjusted EBITDA margin rebounded sequentially to 17%

Engineering Adhesives
- 11% organic growth driven by Electronics and New Energy
- More than offsets slower Automotive market
- Strong adjusted EBITDA margin of 22%, up 400 bps YoY

Q2 2019 Key Financial Results Summary

- Net Revenue down 3.8% year-over-year due to unfavorable FX impact; 1% organic growth
- Adjusted gross margin of 28.9% increased 90 bps YOY
- Adjusted SG&A declined by 1.5% YoY
- Adjusted EPS of $0.88 vs. $0.89 in Q2’18
- Adjusted EBITDA of $121M vs. $123M in Q2’18; margin up 50 bps to 16%
- Cash from Operations of $77M increases 40% YoY
- Paid down $54M of debt YTD; up $7 million versus 2018

FY 2019 Guidance Update

	Revised	Prior
Reported Revenue	Approx. -3% YoY	Flat to FY'18
Organic Growth	*1% to 2%*	*Low end of 3% to 5%*
FX impact	*-3% to -4%*	*-2% to -3%*
Divestiture	*-0.5%*	*N/A*
Adjusted EPS	$3.10 to $3.30	$3.15 to $3.45
Adjusted EBITDA	$455M to $465M	$465M to $485M
Debt paydown	$250M	$200M

Assumes:

- Loss of ~$5M EBITDA and $0.05 adjusted EPS net impact from surfactants divestiture
- Interest expense of ~$90M
- Core effective tax rate between 26% and 29%
- Capital expenditures of ~$90 million
- Excludes pre-tax expenses of $20M for integration costs and $6M - $8M of ERP costs and any gain from surfactants divestiture

Wrap-Up

- Strong Q2 operating performance leveraged improved business mix, integration synergies, pricing and raw materials management
- Strong margin and cash flow resilience to dynamic external conditions
- Winning new customer business in highly engineered applications
- Continued focus on organic revenue growth and margin improvement
- Accelerating debt deleverage commitments



H.B. Fuller



APPENDIX

Regulation G – EPS & EBITDA Reconciliation

	Three Months Ended		Six Months Ended	
	June 1, 2019	June 2, 2018	June 1, 2019	June 2, 2018
Net income attributable to H.B. Fuller	$ 36,641	$ 44,451	$ 48,885	$ 92,133
Adjustments:				
Acquisition project costs	539	297	623	672
Tonsan call option agreement	-	(2,294)	-	(2,170)
Organizational realignment	1,444	736	1,794	1,484
Royal restructuring and integration	4,761	4,334	9,126	9,262
Tax reform	-	(151)	55	(35,336)
Project ONE	1,236	1,013	2,049	2,406
Other	1,015	(2,008)	623	(3,720)
Adjusted net income attributable to H.B. Fuller[1]	45,636	46,378	63,155	64,731
Add:				
Interest expense	26,940	27,938	53,747	55,406
Interest income	(3,023)	(2,794)	(6,076)	(5,835)
Income taxes	16,371	15,565	22,421	21,298
Depreciation and amortization expense [A]	35,268	35,648	70,796	72,313
Adjusted EBITDA[1]	121,192	122,735	204,043	207,913
Diluted Shares	52,105	51,846	52,003	51,872
Adjusted diluted income per common share attributable to H.B. Fuller[1]	$ 0.88	$ 0.89	$ 1.21	$ 1.25
Revenue	$ 759,583	$ 789,387	$ 1,432,518	$ 1,502,466
Adjusted EBITDA margin[1]	16.0%	15.5%	14.2%	13.8%

[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.

[A] Depreciation and amortization expense added back for Adjusted EBITDA is adjusted for amounts already included in Adjusted net income attributable to H.B. Fuller totaling $436 and $962 for the three and six months ended June 1, 2019, respectively, and $365 for the three and six months ended June 2, 2018.

Regulation G – Q2 2019 Segment Information

	Three Months Ended June 1, 2019	Three Months Ended June 2, 2018
Net Revenue:		
Americas Adhesives	$ 259,782	$ 266,232
EIMEA	165,453	182,175
Asia Pacific	71,199	74,421
Construction Adhesives	111,244	122,891
Engineering Adhesives	151,905	143,668
Total H.B. Fuller	$ 759,583	$ 789,387
Segment Operating Income:		
Americas Adhesives	$ 26,514	$ 26,782
EIMEA	8,570	10,623
Asia Pacific	5,758	5,023
Construction Adhesives	7,107	12,042
Engineering Adhesives	24,431	18,827
Total H.B. Fuller	$ 72,380	$ 73,297
Adjusted EBITDA[1]		
Americas Adhesives	$ 40,102	$ 40,567
EIMEA	17,832	21,595
Asia Pacific	8,793	7,947
Construction Adhesives	18,871	23,369
Engineering Adhesives	34,027	26,389
Corporate unallocated	1,567	2,868
Total H.B. Fuller	$ 121,192	$ 122,735
Adjusted EBITDA Margin[1]		
Americas Adhesives	15.4%	15.2%
EIMEA	10.8%	11.9%
Asia Pacific	12.3%	10.7%
Construction Adhesives	17.0%	19.0%
Engineering Adhesives	22.4%	18.4%
Corporate unallocated	0.2%	0.4%
Total H.B. Fuller	16.0%	15.5%



Regulation G – FY 2019 Segment Information

	Six Months Ended June 1, 2019	Six Months Ended June 2, 2018
Net Revenue:		
Americas Adhesives	$ 501,732	$ 517,195
EIMEA	321,966	351,154
Asia Pacific	134,587	141,029
Construction Adhesives	193,700	221,148
Engineering Adhesives	280,533	271,940
Total H.B. Fuller	$ 1,432,518	$ 1,502,466
Segment Operating Income:		
Americas Adhesives	$ 42,209	$ 41,319
EIMEA	11,996	16,516
Asia Pacific	9,537	7,327
Construction Adhesives	3,768	12,503
Engineering Adhesives	39,082	28,438
Total H.B. Fuller	$ 106,592	$ 106,103
Adjusted EBITDA		
Americas Adhesives	$ 69,346	$ 70,206
EIMEA	30,750	37,854
Asia Pacific	15,398	13,234
Construction Adhesives	26,797	35,783
Engineering Adhesives	58,702	46,762
Corporate Unallocated	3,050	4,074
Total H.B. Fuller	$ 204,043	$ 207,913
Adjusted EBITDA Margin		
Americas Adhesives	13.8%	13.6%
EIMEA	9.6%	10.8%
Asia Pacific	11.4%	9.4%
Construction Adhesives	13.8%	16.2%
Engineering Adhesives	20.9%	17.2%
Corporate Unallocated	0.2%	0.3%
Total H.B. Fuller	14.2%	13.8%

Regulation G – Adjusted Income Reconciliation

	Three Months Ended		Six Months Ended	
	June 1, 2019	June 2, 2018	June 1, 2019	June 2, 2018
Income before income taxes and income from equity method investments	$ 51,449	$ 55,813	$ 65,272	$ 69,027
Adjustments:				
Acquisition project costs	655	449	769	1,007
Tonsan call option agreement	-	(2,295)	-	(2,170)
Organizational realignment	1,755	852	2,230	1,263
Royal restructuring and integration	4,625	6,529	10,543	13,983
Tax reform	-	-	75	-
Project ONE	1,503	1,558	2,604	3,702
Other	387	(3,089)	889	(4,745)
Adjusted income before income taxes and income from equity method investments[2]	$ 60,374	$ 59,817	$ 82,382	$ 82,067

[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		Six Months Ended	
	June 1, 2019	June 2, 2018	June 1, 2019	June 2, 2018
Income Taxes	$ (16,441)	$ (13,488)	$ (19,581)	$ 19,144
Adjustments:				
Acquisition project costs	(116)	(152)	(146)	(336)
Tonsan call option agreement	-	-	-	-
Organizational realignment	(311)	(117)	(436)	222
Royal restructuring and integration	136	(2,194)	(1,417)	(4,721)
Tax reform	-	(151)	(20)	(35,336)
Project ONE	(267)	(545)	(555)	(1,296)
Other	628	1,082	(266)	1,025
Adjusted income taxes[3]	$ (16,371)	$ (15,565)	$ (22,421)	$ (21,298)
Adjusted income before income taxes and income from equity method investments	$ 60,374	$ 59,817	$ 82,382	$ 82,067
Adjusted effective income tax rate[3]	27.1%	26.0%	27.2%	26.0%

[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		Six Months Ended	
	June 1, 2019	June 2, 2018	June 1, 2019	June 2, 2018
Net revenue	759,583	789,387	1,432,518	1,502,466
Gross profit	$ 218,459	$ 220,186	$ 398,384	$ 405,699
Gross profit margin	28.8%	27.9%	27.8%	27.0%
Adjustments:				
Acquisition project costs	-	70	-	173
Tonsan call option agreement	-	-	-	
Organizational realignment	195	446	242	677
Royal restructuring and integration	1,091	603	2,509	827
Other	-	-	(3)	-
Adjusted gross profit[4]	$ 219,745	$ 221,305	$ 401,132	$ 407,376
Adjusted gross profit margin[4]	28.9%	28.0%	28.0%	27.1%

[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		Six Months Ended	
	June 1, 2019	June 2, 2018	June 1, 2019	June 2, 2018
Selling, general and administrative expenses	$ (146,079)	$ (146,889)	$ (291,792)	$ (299,596)
Adjustments:				
Acquisition project costs	655	379	769	834
Tonsan call option agreement	-	(2,373)	-	(2,326)
Organizational realignment	1,187	406	1,614	585
Royal restructuring and integration	3,511	5,925	8,010	13,155
Tax reform	-	-	75	-
Project ONE	1,503	1,558	2,604	3,702
Other	387	21	893	27
Adjusted selling, general and administrative expenses[5]	$ (138,836)	$ (140,973)	$ (277,827)	$ (283,619)

[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 – Q2'19 Segment EBITDA Recon.

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Three Months Ended June 1, 2019								
Net income attributable to H.B. Fuller	$ 28,489	$ 9,232	$ 5,798	$ 7,794	$ 24,515	$ 75,828	$ (39,187)	$ 36,641
Adjustments:								
Acquisition project costs	247	160	82	74	92	655	(116)	539
Tonsan call option agreement	-	-	-	-	-	-	-	-
Organizational realignment	1,250	(117)	18	210	21	1,382	62	1,444
Royal restructuring and integration	461	1,340	602	1,666	533	4,602	159	4,761
Tax reform	-	-	-	-	-	-	-	-
Project ONE	566	368	186	171	212	1,503	(267)	1,236
Other	387	-	-	-	-	387	628	1,015
Adjusted net income attributable to H.B. Fuller[1]	31,400	10,983	6,686	9,915	25,373	84,357	(38,721)	45,636
Add:								
Interest expense	-	-	-	-	-	-	26,940	26,940
Interest income	-	-	-	-	-	-	(3,023)	(3,023)
Income taxes	-	-	-	-	-	-	16,371	16,371
Depreciation and amortization expense	8,702	6,849	2,107	8,956	8,654	35,268	-	35,268
Adjusted EBITDA[1]	$ 40,102	$ 17,832	$ 8,793	$ 18,871	$ 34,027	$ 119,625	$ 1,567	$ 121,192

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 – FY 2019 Segment EBITDA Recon.

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Six Months Ended June 1, 2019								
Net income attributable to H.B. Fuller	$ 46,160	$ 13,314	$ 9,618	$ 5,139	$ 39,252	$ 113,483	$ (64,598)	$ 48,885
Adjustments:								
Acquisition project costs	290	188	95	87	109	769	(146)	623
Tonsan call option agreement	-	-	-	-	-	-	-	-
Organizational realignment	1,813	(457)	33	430	37	1,856	(62)	1,794
Royal restructuring and integration	2,047	3,143	1,071	2,952	1,308	10,521	(1,395)	9,126
Tax reform	28	18	9	9	11	75	(20)	55
Project ONE	981	637	322	296	368	2,604	(555)	2,049
Other	770	119	-	-	-	889	(266)	623
Adjusted net income attributable to H.B. Fuller[1]	52,089	16,962	11,148	8,913	41,085	130,197	(67,042)	63,155
Add:								
Interest expense	-	-	-	-	-	-	53,747	53,747
Interest income	-	-	-	-	-	-	(6,076)	(6,076)
Income taxes	-	-	-	-	-	-	22,421	22,421
Depreciation and amortization expense	17,257	13,788	4,250	17,884	17,617	70,796	-	70,796
Adjusted EBITDA[1]	$ 69,346	$ 30,750	$ 15,398	$ 26,797	$ 58,702	$ 200,993	$ 3,050	$ 204,043

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 – Q2'18 Segment EBITDA Recon.

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocate	H.B. Fuller Consolidated
Three Months Ended June 2, 2018								
Net income attributable to H.B. Fuller	$ 28,645	$ 11,599	$ 5,061	$ 12,869	$ 19,012	$ 77,186	$ (32,735)	$ 44,451
Adjustments:								
Acquisition project costs	354	34	16	16	29	449	(152)	297
Tonsan call option agreement	-	-	-	-	(2,373)	(2,373)	79	(2,294)
Organizational realignment	54	656	(1)	145	(1)	853	(117)	736
Royal Restructuring	2,202	1,711	540	1,149	926	6,528	(2,194)	4,334
Tax Reform	-	-	-	-	-	-	(151)	(151)
Project ONE	613	383	181	183	198	1,558	(545)	1,013
Other	18	-	-	-	-	18	(2,026)	(2,008)
Adjusted net income attributable to H.B. Fuller[1]	31,886	14,383	5,797	14,362	17,791	84,219	(37,841)	46,378
Add:								
Interest expense	-	-	-	-	-	-	27,938	27,938
Interest income	-	-	-	-	-	-	(2,794)	(2,794)
Income taxes	-	-	-	-	-	-	15,565	15,565
Depreciation and amortization expense	8,681	7,212	2,150	9,007	8,598	35,648	-	35,648
Adjusted EBITDA[1]	$ 40,567	$ 21,595	$ 7,947	$ 23,369	$ 26,389	$ 119,867	$ 2,868	$ 122,735

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 – FY 2018 Segment EBITDA Recon.

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Unallocate	H.B. Fuller Consolidated
Six Months Ended June 2, 2018								
Net income attributable to H.B. Fuller	$ 45,043	$ 18,457	$ 7,403	$ 14,158	$ 28,810	$ 113,871	$ (21,738)	$ 92,133
Adjustments:								
Acquisition project costs	846	46	22	22	71	1,007	(335)	672
Tonsan call option agreement	-	-	-	-	(2,326)	(2,326)	156	(2,170)
Organizational realignment	180	718	3	360	3	1,264	220	1,484
Royal Restructuring	5,144	3,273	1,065	2,467	2,035	13,984	(4,722)	9,262
Tax Reform	-	-	-	-	-	-	(35,336)	(35,336)
Project ONE	1,455	911	429	437	469	3,701	(1,295)	2,406
Other	21	1	1	1	1	25	(3,745)	(3,720)
Adjusted net income attributable to H.B. Fuller[1]	52,689	23,406	8,923	17,445	29,063	131,526	(66,795)	64,731
Add:								
Interest expense	-	-	-	-	-	-	55,406	55,406
Interest income	-	-	-	-	-	-	(5,835)	(5,835)
Income taxes	-	-	-	-	-	-	21,298	21,298
Depreciation and amortization expense	17,517	14,448	4,311	18,338	17,699	72,313	-	72,313
Adjusted EBITDA[1]	$ 70,206	$ 37,854	$ 13,234	$ 35,783	$ 46,762	$ 203,839	$ 4,074	$ 207,913

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 June 1, 2019 Total	Six Months Ended June 1, 2019 Total
Price	2.3%	2.6%
Volume	(1.4%)	(2.6%)
Organic Growth (Decline)	0.9%	0.0%
F/X	(4.7%)	(4.7%)
Total	(3.8%)	(4.7%)

	Three Months Ended June 1, 2019			Six Months Ended June 1, 2019		
	Net Revenue	**F/X**	**Organic Growth (Decline)**	**Net Revenue**	**F/X**	**Organic Growth (Decline)**
Americas Adhesives	(2.4%)	(3.7%)	1.3%	(3.0%)	(3.7%)	0.7%
EIMEA	(9.2%)	(8.5%)	(0.7%)	(8.3%)	(8.3%)	0.0%
Asia Pacific	(4.3%)	(5.1%)	0.8%	(4.5%)	(4.9%)	0.4%
Construction Adhesives	(9.5%)	(0.8%)	(8.7%)	(12.4%)	(0.9%)	(11.5%)
Engineering Adhesives	5.7%	(4.8%)	10.5%	3.2%	(4.4%)	7.6%
Total	(3.8%)	(4.7%)	0.9%	(4.7%)	(4.7%)	0.0%

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