

First Quarter 2020 Conference Call

Investor Presentation

St. Paul, MN
March 26, 2020

H.B. Fuller | Connecting what matters.™

COVID-19

- Unparalleled event impacting humans' health and global economics
- Significant near term disruptions with longer-term impacts anticipated
- Applying our business continuity practices successfully deployed in Q1 to operations in rest of world, as recovery in China emerges
- H.B. Fuller is strongly positioned to:
  - Protect our people
  - Support our customers
  - Deliver adhesives vital for essential goods
  - Maintain strong, financial position
  - Emerge an even stronger company

Q1’20 Quarterly Results

Summary

- Strong Q1’20 in-line with EBITDA guidance despite sales impact of COVID-19 in China
- Excluding COVID-19 impacts, organic growth > 1% with growth in all segments
- Rapidly learned in China how to manage health safety, social distancing, supply chains, quarantines and delivery of essential products – baseline for preparing in rest of world
- Robust global supply chain and global collaboration is a FUL competitive advantage
- Factories operational as supplier of vital goods for essential products
- Broad diversity of end markets and goods considered essential during COVID-19 pandemic
- Significant exposure to hygiene, health and packaging with current elevated demand helps offset lower volumes in new energy, auto, aerospace and other durable goods
- Strong cash flow performance in Q1 supports plans for $200M debt paydown

Q1 2020 Global Segment Summary

Hygiene, Health and Consumables Adhesives (HHC)

- Organic sales growth +1% year-over-year; +2% estimated, excluding COVID-19 impact in China
- EBITDA margin up 100 basis points on mix, restructuring savings and lower raw material costs
- Elevated Q2 demand for essential HHC products during COVID-10 pandemic

Engineering Adhesives (EA)

- Lower organic sales and Adjusted EBITDA due to COVID-19 impact
- Estimate EA volumes up low single digits excluding COVID-19 impacts
- Electronics up double-digits on market share gains; lower demand in Auto, New Energy, and Insulating Glass which is expected would continue with recessionary effects of the pandemic

Construction Adhesives (CA)

- Returned to top-line growth and double-digit EBITDA on restructuring and portfolio repositioning
- Strong growth in roofing and improving results in flooring
- Solid early Q2 pipeline, potential for negative impact to CA in 2H in a pandemic-related recession

Q1 2020 Key Financial Results Summary

- Adjusted EBITDA and EPS in line with guidance despite extensive disruption in China in the quarter resulting from COVID-19 impacts
- Organic revenue -1.3%; up +1% excluding estimated COVID-19 impacts
- Adjusted EPS of $0.34 in line with guidance despite estimated $0.06 per share COVID-19 impact
- Adjusted EBITDA of $78M in line with guidance despite estimated $4.5M COVID-19 impact
- Cash Flow from Operations up by $34M YoY; improved working capital
- Paid down $6M of debt; company scenario models support plan for $200M of debt paydown in 2020

2020 Current Planning Assumptions

- Q2’20 revenue estimated to be down between 5% and 15% year-over-year
- Q2’20 adjusted EBITDA estimated in the range of $90M to $100M
- Preparing for COVID-19 impacts to ramp up around the world as China stabilizes
- Planning for recessionary forces to impact global demand and revenues in 2H20
- Planning for decreased raw material costs due to lower global demand and petrochemical feedstock costs impacted when oil below $35/barrel
- Anticipate strong cash flow performance to deliver $200M debt paydown
  - Lower expected working capital requirements associated with reduced demand
  - Anticipated raw material cost savings
  - Savings from 2019 GBU restructuring
- Additional costs levers available, as needed
- Strong financial position with ample liquidity and room under debt covenants

Wrap-Up

- Essential supplier of adhesives for health, hygiene, packaging and consumer goods and digital connectivity
- FUL's global supply chain, global coordination and agility is competitive advantage
- Cash generative business and strong financial position with ample liquidity and room under debt covenants
- Business realignment driving SG&A savings and improved global collaboration
- Developing additional levers for efficiencies and savings via review of global factory operations initiated prior to COVID-19 outbreak
- Commitment to maintain debt deleverage plans



H.B. Fuller



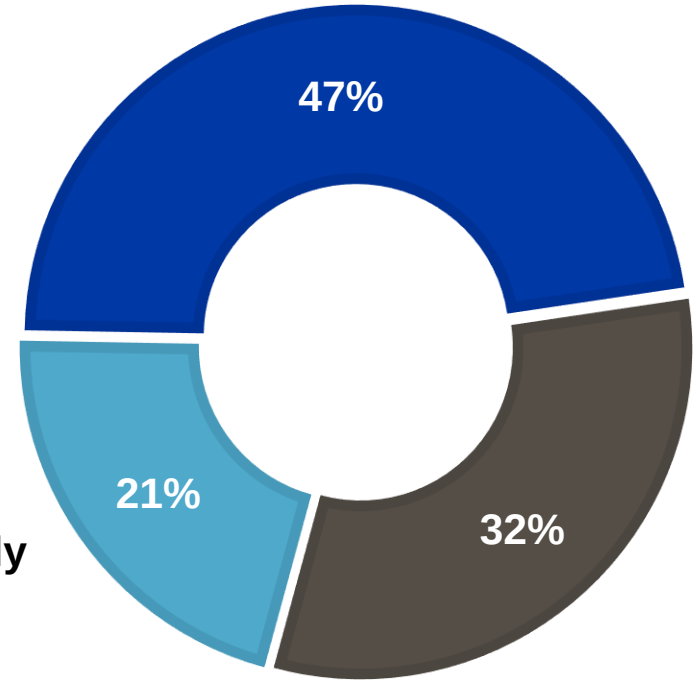
APPENDIX

Anticipated Near-Term End Market Impacts

2020 Planning Assumptions

Favorably Impacted

- Hygiene
- Health & Beauty
- Packaging
- Labeling
- Paper, Tissue
- Tissue & Towel



Down Moderately

- Construction
- Insulating Glass
- Filters
- Electronics
- Durable Consumer Goods

Down Significantly

- Automotive
- Transportation
- New Energy

Regulation G – EPS & EBITDA Reconciliation

	13 Weeks Ended February 29, 2020	13 Weeks Ended March 2, 2019
Net income attributable to H.B. Fuller	$ 9,895	$ 12,244
Adjustments:		
Acquisition project costs	268	84
Organizational realignment	3,604	350
Royal restructuring and integration	3,750	4,365
Tax reform	(44)	55
Project ONE	1,727	813
Other	(1,410)	(392)
Adjusted net income attributable to H.B. Fuller[1]	17,790	17,519
Add:		
Interest expense	22,761	26,807
Interest income	(2,918)	(3,053)
Income taxes	5,592	6,050
Depreciation and amortization expense[A]	34,552	35,528
Adjusted EBITDA[1]	77,777	82,851
Diluted Shares	52,580	51,901
Adjusted diluted income per common share attributable to H.B. Fuller[1]	$ 0.34	$ 0.34
Revenue	$ 646,564	$ 672,935
Adjusted EBITDA margin[1]	12.0%	12.3%

[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 ($33) and ($526) for the three months ended February 29, 2020 and March 2, 2019, respectively.

Regulation G – Q1 Segment Information

	13 Weeks Ended February 29, 2020	13 Weeks Ended March 2, 2019
Net Revenue:		
Hygiene, Health and Consumable Adhesives	$ 312,512	$ 319,854
Engineering Adhesives	248,895	264,372
Construction Adhesives	85,157	82,790
Corporate Unallocated	-	5,919
Total H.B. Fuller	$ 646,564	$ 672,935
Segment Operating Income:		
Hygiene, Health and Consumable Adhesives	$ 22,664	$ 20,890
Engineering Adhesives	15,365	21,986
Construction Adhesives	(1,373)	(1,656)
Corporate Unallocated	(7,903)	(7,008)
Total H.B. Fuller	$ 28,753	$ 34,212
Adjusted EBITDA[1]		
Hygiene, Health and Consumable Adhesives	$ 35,896	$ 33,709
Engineering Adhesives	30,916	37,574
Construction Adhesives	8,873	8,427
Corporate Unallocated	2,092	3,141
Total H.B. Fuller	$ 77,777	$ 82,851
Adjusted EBITDA Margin[1]		
Hygiene, Health and Consumable Adhesives	11.5%	10.5%
Engineering Adhesives	12.4%	14.2%
Construction Adhesives	10.4%	10.2%
Corporate Unallocated	NMP	NMP
Total H.B. Fuller	12.0%	12.3%

Regulation G – Adjusted Income Reconciliation

	13 Weeks Ended February 29, 2020	13 Weeks Ended March 2, 2019
Income before income taxes and income from equity method investments	$ 13,883	$ 13,823
Adjustments:		
Acquisition project costs	213	115
Organizational realignment	2,865	475
Royal restructuring and integration	2,986	5,917
Tax reform	(35)	75
Project ONE	1,375	1,102
Other	473	502
Adjusted income before income taxes and income from equity method investments[2]	$ 21,760	$ 22,009

[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 U.S. GAAP.

Regulation G – Adjusted Income Tax Reconciliation

	13 Weeks Ended February 29, 2020	13 Weeks Ended March 2, 2019
Income Taxes	$ (5,611)	$ (3,140)
Adjustments:		
Acquisition project costs	55	(30)
Organizational realignment	739	(124)
Royal restructuring and integration	765	(1,552)
Tax reform	(9)	(20)
Project ONE	352	(289)
Other	(1,883)	(895)
Adjusted income taxes[3]	$ (5,592)	$ (6,050)
Adjusted income before income taxes and income from equity method investments	$ 21,760	$ 22,009
Adjusted effective income tax rate[3]	25.7%	27.5%

[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 U.S. GAAP.

Regulation G – Adjusted Gross Margin Reconciliation

	13 Weeks Ended February 29, 2020	13 Weeks Ended March 2, 2019
Net revenue	646,564	672,935
Gross profit	$ 170,262	$ 179,925
Gross profit margin	26.3%	26.7%
Adjustments:		
Organizational realignment	81	48
Royal restructuring and integration	900	1,419
Other	10	(3)
Adjusted gross profit[4]	$ 171,253	$ 181,389
Adjusted gross profit margin[4]	26.5%	27.0%

[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 U.S. GAAP.

Regulation G – Adjusted SG&A Reconciliation

	13 Weeks Ended February 29, 2020	13 Weeks Ended March 2, 2019
Selling, general and administrative expenses	$ (141,509)	$ (145,713)
Adjustments:		
Acquisition project costs	213	115
Organizational realignment	2,784	427
Royal restructuring and integration	2,111	4,497
Tax reform	(35)	75
Project ONE	1,375	1,102
Other	462	506
Adjusted selling, general and administrative expenses[5]	$ (134,599)	$ (138,991)

[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 U.S. GAAP.

Regulation G – Q1'20 Segment EBITDA Reconciliation

	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
13 Weeks Ended February 29, 2020						
Net income attributable to H.B. Fuller	$ 24,487	$ 16,835	$ (189)	$ 41,133	$ (31,238)	$ 9,895
Adjustments:						
Acquisition project costs	-	-	-	-	268	268
Organizational realignment	-	-	-	-	3,604	3,604
Royal restructuring and integration	-	-	-	-	3,750	3,750
Tax reform	-	-	-	-	(44)	(44)
Project ONE	-	-	-	-	1,727	1,727
Other	-	-	-	-	(1,410)	(1,410)
Adjusted net income attributable to H.B. Fuller[1]	24,487	16,835	(189)	41,133	(23,343)	17,790
Add:						
Interest expense	-	-	-	-	22,761	22,761
Interest income	-	-	-	-	(2,918)	(2,918)
Income taxes	-	-	-	-	5,592	5,592
Depreciation and amortization expense	11,409	14,081	9,062	34,552	-	34,552
Adjusted EBITDA[1]	$ 35,896	$ 30,916	$ 8,873	$ 75,685	$ 2,092	$ 77,777
Revenue	312,512	248,895	85,157	646,564	-	646,564
Adjusted EBITDA Margin	11.5%	12.4%	10.4%	11.7%	NMP	12.0%

Note: Adjusted EBITDA is a non-GAAP financial measure. The table above provides 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 – Q1'19 Segment EBITDA Reconciliation

	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
13 Weeks Ended March 2, 2019						
Net income attributable to H.B. Fuller	$ 22,236	$ 23,065	$ (669)	$ 44,632	$ (32,388)	$ 12,244
Adjustments:						
Acquisition project costs	-	-	-	-	84	84
Organizational realignment	-	-	-	-	350	350
Royal Restructuring	-	-	-	-	4,365	4,365
Tax Reform	-	-	-	-	55	55
Project ONE	-	-	-	-	813	813
Other	-	-	-	-	(392)	(392)
Adjusted net income attributable to H.B. Fuller[1]	22,236	23,065	(669)	44,632	(27,113)	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	11,473	14,509	9,096	35,078	450	35,528
Adjusted EBITDA[1]	$ 33,709	$ 37,574	$ 8,427	$ 79,710	$ 3,141	$ 82,851
Revenue	319,854	264,372	82,790	667,016	5,919	672,935
Adjusted EBITDA Margin	10.5%	14.2%	10.2%	12.0%	NMP	12.3%

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.

Revenue Performance Components

	13 Weeks Ended February 29, 2020 Total
Price	(1.1%)
Volume	(0.2%)
Organic Growth (Decline)	(1.3%)
M&A	(0.9%)
F/X	(1.7%)
Total H.B. Fuller Net Revenue Decline	(3.9%)

	13 Weeks Ended February 29, 2020			
	Net Revenue	**F/X**	**M&A**	**Organic Growth (Decline)**
Hygiene, Health and Consumable Adhesives	(2.3%)	(2.3%)	0.0%	0.0%
Engineering Adhesives	(5.9%)	(1.5%)	0.0%	(4.4%)
Construction Adhesives	2.9%	(0.3%)	0.0%	3.2%
Unallocated Corporate	NMP	NMP	NMP	0.0%
Total H.B. Fuller	(3.9%)	(1.7%)	(0.9%)	(1.3%)

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 press release and 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) 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 forward looking non-GAAP measures contained in our fiscal 2020 Planning Assumptions, which the company cannot reconcile to forward-looking GAAP results without unreasonable effort.

Additional Information

Please refer to our annual report 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.

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