Second Quarter 2020 Conference Call

Investor Presentation



St. Paul, MN
June 25, 2020

H.B. Fuller | Connecting what matters.™

COVID-19

- Rapidly implemented health & safety protocols, business continuity plans globally
- Factories safely remained open and operational as provider for essential goods
- Strong demand in hygiene, health and consumables helped mitigate impacts in transportation, new energy and construction-related end markets
- New global business alignment enhanced our agility to support customers
- Strongly positioned for growth opportunities and potential headwinds as we progress through recovery phases around the world
- H.B. Fuller positioned to emerge as stronger company
  - Robust global supply chain and share gains
  - Strong financial position and resilient cash flow
  - Leveraging technology investments accelerates productivity
  - Increased business agility with lower cost to serve customers

Q2’20 Quarterly Results

Summary

- Strong Q2’20 with Adjusted EBITDA of $101M above guidance
- Sales trends in line with expectations
  - +7% HHC Adhesives organic growth YoY
  - Greater China organic revenues up ~1% YoY as COVID-19 recovery continues
- Continue to drive restructuring savings with $7M incremental savings in Q2
- YTD Q2’20 cash from operations up 40% YoY
- Debt paydown above same quarter last year
- Strong cash flow performance supports plans for $200M debt paydown in FY2020
- Increased dividend payout for 51st consecutive year

Q2 2020 Global Segment Summary

Hygiene, Health and Consumables Adhesives (HHC)

- Double-digit growth in Hygiene, Paper products, Tape and Label and Health & Beauty markets
- EBITDA margin up 70 basis points on volume growth, lower raw material costs, restructuring savings
- Leveraging FUL technology to meet customer demand for sustainable adhesive solutions

Engineering Adhesives (EA)

- Lower sales and Adjusted EBITDA due to COVID-19 impact
- Transportation-related hardest hit end markets; volume growth in new energy and technical textiles
- EBITDA margin up 250 basis points vs. Q1 on lower raw material costs and restructuring savings

Construction Adhesives (CA)

- Strong profitability improvements despite COVID-19 related disruption on construction projects
- Retail channel Do-it-yourself activity strong while contractor work slowed
- EBITDA margin up 140 basis points YoY on improved portfolio and restructuring actions

Q2 2020 Key Financial Results Summary

- Adjusted EBITDA of $101M exceeded guidance range
- Organic revenue -7%, in line with expected sales trends
- Adjusted EPS of $0.68 down YoY due to COVID-19 impacts on global demand
- Q2 YTD Cash Flow from Operations of $108M up 40% YoY; improved working capital
- Paid down $45M of debt, ahead of same period in 2019
- Cash flow trends support plan for $200M of debt paydown in 2020

2020 Current Planning Assumptions

- Q3’20 revenue estimated to be down between 5% and 10% year-over-year
- Q3’20 adjusted EBITDA estimated in the range of $95M to $105M
- Planning for recessionary forces to impact global demand and revenues in 2H20
- Planning for decreased raw material costs primarily due to lower global demand
- Anticipate strong cash flow performance to deliver $200M debt paydown
  - Anticipated raw material cost savings
  - Savings from 2019 GBU restructuring
  - Lower expected working capital
- Additional costs levers available, as needed
- Strong financial position with ample liquidity and room under debt covenants

Wrap-Up

- World's largest dedicated manufacturer of adhesives critical 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 with ample liquidity and room under debt covenants
- Commitment to maintain debt deleverage plans
- Business realignment driving $35 million of run-rate SG&A savings and improved global collaboration (~2/3rd to be realized in 2020)
- Scoped new global operations efficiencies for estimated additional savings of $20 to $30 million of run-rate savings beginning in 2021
- Well-positioned to emerge as a stronger company with increased share



H.B. Fuller



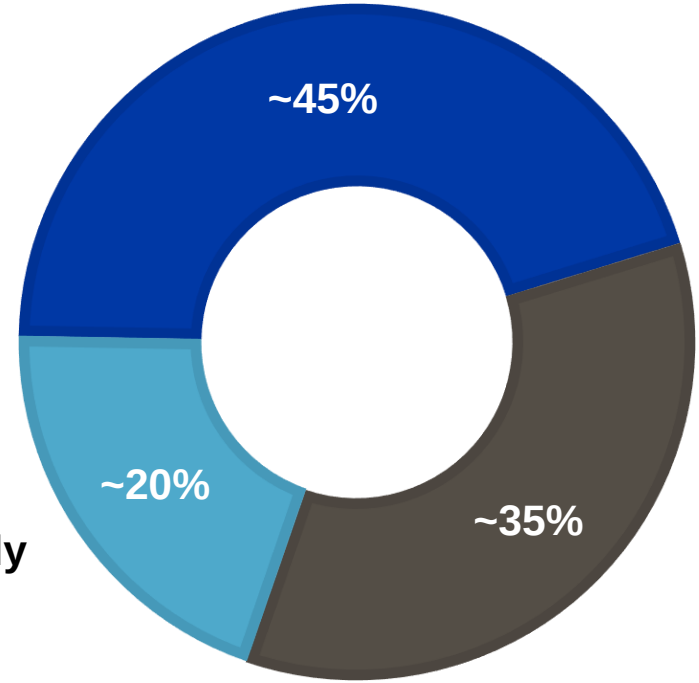
APPENDIX

Anticipated Near-Term End Market Impacts

2020 Planning Assumptions

Favorably Impacted

- Hygiene
- Health & Beauty
- Packaging
- Rolled paper & tips
- Tissue & towel
- Tapes



Down Moderately

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

Down Significantly

- Transportation
- New Energy

Regulation G – EPS & EBITDA Reconciliation

	Three Months Ended		Six Months Ended	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Net income attributable to H.B. Fuller	$ 31,613	$ 36,641	$ 41,508	$ 48,885
Adjustments:				
Acquisition project costs	(1,266)	539	(998)	623
Organizational realignment	1,550	1,444	5,154	1,794
Royal restructuring and integration	1,910	4,761	5,660	9,126
Tax reform	-	-	(44)	55
Project ONE	855	1,236	2,582	2,049
Other	484	1,015	(926)	623
Adjusted net income attributable to H.B. Fuller[1]	35,146	45,636	52,936	63,155
Add:				
Interest expense	21,670	26,940	44,431	53,747
Interest income	(2,898)	(3,023)	(5,816)	(6,076)
Income taxes	12,692	16,371	18,284	22,421
Depreciation and amortization expense[A]	34,009	35,268	68,561	70,796
Adjusted EBITDA[1]	100,619	121,192	178,396	204,043
Diluted Shares	52,029	52,105	52,305	52,003
Adjusted diluted income per common share attributable to H.B. Fuller[1]	$ 0.68	$ 0.88	$ 1.01	$ 1.21
Revenue	$ 674,602	$ 759,583	$ 1,321,166	$ 1,432,518
Adjusted EBITDA margin[1]	14.9%	16.0%	13.5%	14.2%

[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 EBITDA is adjusted for amounts already included in Adjusted net income attributable to H.B. Fuller totaling ($63) and ($436) for the three months ended May 30, 2020 and June 1, 2019, respectively and ($96) and ($962) for the six months ended May 30, 2020 and June 1, 2019, respectively.

Regulation G – Q2 Segment Information

	Three Months Ended May 30, 2020	Three Months Ended June 1, 2019
Net Revenue:		
Hygiene, Health and Consumable Adhesives	$ 344,673	$ 337,892
Engineering Adhesives	236,063	303,922
Construction Adhesives	93,866	111,791
Corporate Unallocated	-	5,978
Total H.B. Fuller	$ 674,602	$ 759,583
Segment Operating Income:		
Hygiene, Health and Consumable Adhesives	$ 35,009	$ 32,048
Engineering Adhesives	20,149	39,313
Construction Adhesives	6,527	8,252
Corporate Unallocated	(4,782)	(7,233)
Total H.B. Fuller	$ 56,903	$ 72,380
Adjusted EBITDA[1]		
Hygiene, Health and Consumable Adhesives	$ 48,321	$ 44,845
Engineering Adhesives	35,172	54,795
Construction Adhesives	16,626	18,272
Corporate Unallocated	500	3,280
Total H.B. Fuller	$ 100,619	$ 121,192
Adjusted EBITDA Margin[1]		
Hygiene, Health and Consumable Adhesives	14.0%	13.3%
Engineering Adhesives	14.9%	18.0%
Construction Adhesives	17.7%	16.3%
Corporate Unallocated	NMP	NMP
Total H.B. Fuller	14.9%	16.0%

Regulation G – FY2020 Segment Information

	Six Months Ended May 30, 2020	Six Months Ended June 1, 2019
Net Revenue:		
Hygiene, Health and Consumable Adhesives	$ 657,185	$ 657,746
Engineering Adhesives	484,958	568,294
Construction Adhesives	179,023	194,581
Corporate Unallocated	-	11,897
Total H.B. Fuller	$ 1,321,166	$ 1,432,518
Segment Operating Income:		
Hygiene, Health and Consumable Adhesives	$ 57,673	$ 52,938
Engineering Adhesives	35,514	61,299
Construction Adhesives	5,152	6,596
Corporate Unallocated	(12,683)	(14,241)
Total H.B. Fuller	$ 85,656	$ 106,592
Adjusted EBITDA[1]		
Hygiene, Health and Consumable Adhesives	$ 84,217	$ 78,554
Engineering Adhesives	66,087	92,369
Construction Adhesives	25,499	26,699
Corporate Unallocated	2,593	6,421
Total H.B. Fuller	$ 178,396	$ 204,043
Adjusted EBITDA Margin[1]		
Hygiene, Health and Consumable Adhesives	12.8%	11.9%
Engineering Adhesives	13.6%	16.3%
Construction Adhesives	14.2%	13.7%
Corporate Unallocated	NMP	NMP
Total H.B. Fuller	13.5%	14.2%

Regulation G – Adjusted Income Reconciliation

	Three Months Ended		Six Months Ended	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Income before income taxes and income from equity method investments	$ 41,206	$ 51,449	$ 55,089	$ 65,272
Adjustments:				
Acquisition project costs	(1,725)	655	(1,512)	769
Organizational realignment	2,113	1,755	4,978	2,230
Royal restructuring and integration	2,603	4,625	5,589	10,543
Tax reform	-	-	(35)	75
Project ONE	1,165	1,503	2,540	2,604
Other	598	387	1,071	889
Adjusted income before income taxes and income from equity method investments[2]	$ 45,960	$ 60,374	$ 67,720	$ 82,382

[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

	Three Months Ended		Six Months Ended	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Income taxes	$ (11,471)	$ (16,441)	$ (17,082)	$ (19,581)
Adjustments:				
Acquisition project costs	459	(116)	514	(146)
Organizational realignment	(562)	(311)	177	(436)
Royal restructuring and integration	(693)	136	71	(1,417)
Tax reform	-	-	(9)	(20)
Project ONE	(310)	(267)	42	(555)
Other	(115)	628	(1,997)	(266)
Adjusted income taxes[3]	$ (12,692)	$ (16,371)	$ (18,284)	$ (22,421)
Adjusted income before income taxes and income from equity method investments	$ 45,960	$ 60,374	$ 67,720	$ 82,382
Adjusted effective income tax rate[3]	27.6%	27.1%	27.0%	27.2%

[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

	Three Months Ended		Six Months Ended	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Net revenue	674,602	759,583	1,321,166	1,432,518
Gross profit	$ 184,901	$ 218,459	$ 355,163	$ 398,384
Gross profit margin	27.4%	28.8%	26.9%	27.8%
Adjustments:				
Organizational realignment	70	195	151	242
Royal restructuring and integration	697	1,091	1,598	2,509
Other	981	-	991	(3)
Adjusted gross profit[4]	$ 186,649	$ 219,745	$ 357,903	$ 401,132
Adjusted gross profit margin[4]	27.7%	28.9%	27.1%	28.0%

[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

	Three Months Ended		Six Months Ended	
	May 30, 2020	June 1, 2019	May 30, 2020	June 1, 2019
Selling, general and administrative expenses	$ (127,998)	$ (146,079)	$ (269,507)	$ (291,792)
Adjustments:				
Acquisition project costs	(1,725)	655	(1,512)	769
Organizational realignment	2,042	1,187	4,826	1,614
Royal restructuring and integration	1,932	3,511	4,043	8,010
Tax reform	-	-	(35)	75
Project ONE	1,166	1,503	2,541	2,604
Other	(382)	387	80	893
Adjusted selling, general and administrative expenses[5]	$ (124,965)	$ (138,836)	$ (259,564)	$ (277,827)

[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 – Q2'20 Segment EBITDA Reconciliation

	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Three Months Ended May 30, 2020						
Net income attributable to H.B. Fuller	$ 36,804	$ 21,598	$ 7,708	$ 66,110	$ (34,497)	$ 31,613
Adjustments:						
Acquisition project costs	-	-	-	-	(1,266)	(1,266)
Organizational realignment	-	-	-	-	1,550	1,550
Royal restructuring and integration	-	-	-	-	1,910	1,910
Project ONE	-	-	-	-	855	855
Other	-	-	-	-	484	484
H.B. Fuller[1]	36,804	21,598	7,708	66,110	(30,964)	35,146
Add:						
Interest expense	-	-	-	-	21,670	21,670
Interest income	-	-	-	-	(2,898)	(2,898)
Income taxes	-	-	-	-	12,692	12,692
Depreciation and amortization expense	11,517	13,574	8,918	34,009	-	34,009
Adjusted EBITDA[1]	$ 48,321	$ 35,172	$ 16,626	$ 100,119	$ 500	$ 100,619
Revenue	344,673	236,063	93,866	674,602	-	674,602
Adjusted EBITDA Margin	14.0%	14.9%	17.7%	14.8%	NMP	14.9%

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.
NMP: non-material percentage

Regulation G – FY 2020 Segment EBITDA Reconciliation

	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Six Months Ended May 30, 2020						
Net income attributable to H.B. Fuller	$ 61,291	$ 38,433	$ 7,518	$ 107,242	$ (65,734)	$ 41,508
Adjustments:						
Acquisition project costs	-	-	-	-	(998)	(998)
Organizational realignment	-	-	-	-	5,154	5,154
Royal restructuring and integration	-	-	-	-	5,660	5,660
Tax reform	-	-	-	-	(44)	(44)
Project ONE	-	-	-	-	2,582	2,582
Other	-	-	-	-	(926)	(926)
H.B. Fuller[1]	61,291	38,433	7,518	107,242	(54,306)	52,936
Add:						
Interest expense	-	-	-	-	44,431	44,431
Interest income	-	-	-	-	(5,816)	(5,816)
Income taxes	-	-	-	-	18,284	18,284
Depreciation and amortization expense	22,926	27,654	17,981	68,561	-	68,561
Adjusted EBITDA[1]	$ 84,217	$ 66,087	$ 25,499	$ 175,803	$ 2,593	$ 178,396
Revenue	657,185	484,958	179,023	1,321,166	-	1,321,166
Adjusted EBITDA Margin	12.8%	13.6%	14.2%	13.3%	NMP	13.5%

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.
NMP: non-material percentage

Regulation G – Q2'19 Segment EBITDA Reconciliation

	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Three Months Ended June 1, 2019						
Net income attributable to H.B. Fuller	$ 33,397	$ 40,397	$ 9,236	$ 83,030	$ (46,389)	$ 36,641
Adjustments:						
Acquisition project costs	-	-	-	-	539	539
Organizational realignment	-	-	-	-	1,444	1,444
Royal Restructuring	-	-	-	-	4,761	4,761
Project ONE	-	-	-	-	1,236	1,236
Other	-	-	-	-	1,015	1,015
H.B. Fuller[1]	33,397	40,397	9,236	83,030	(37,394)	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	11,448	14,398	9,036	34,882	386	35,268
Adjusted EBITDA[1]	$ 44,845	$ 54,795	$ 18,272	$ 117,912	$ 3,280	$ 121,192
Revenue	337,892	303,922	111,791	753,605	5,978	759,583
Adjusted EBITDA Margin	13.3%	18.0%	16.3%	15.6%	NMP	16.0%

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.
NMP: non-material percentage

Regulation G – FY 2019 Segment EBITDA Reconciliation

	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Six Months Ended June 1, 2019						
Net income attributable to H.B. Fuller	$ 55,633	$ 63,462	$ 8,567	$ 127,662	$ (78,777)	$ 48,885
Adjustments:						
Acquisition project costs	-	-	-	-	623	623
Organizational realignment	-	-	-	-	1,794	1,794
Royal Restructuring	-	-	-	-	9,126	9,126
Tax Reform	-	-	-	-	55	55
Project ONE	-	-	-	-	2,049	2,049
Other	-	-	-	-	623	623
H.B. Fuller[1]	55,633	63,462	8,567	127,662	(64,507)	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	22,921	28,907	18,132	69,960	836	70,796
Adjusted EBITDA[1]	$ 78,554	$ 92,369	$ 26,699	$ 197,622	$ 6,421	$ 204,043
Revenue	657,746	568,294	194,581	1,420,621	11,897	1,432,518
Adjusted EBITDA Margin	11.9%	16.3%	13.7%	13.9%	NMP	14.2%

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.
NMP: non-material percentage

Revenue Performance Components

	Three Months Ended May 30, 2020	Six Months Ended May 30, 2020
	Total	Total
Price	(0.5%)	(0.8%)
Volume	(6.8%)	(3.7%)
Organic Growth (Decline)	(7.3%)	(4.5%)
M&A	(0.8%)	(0.8%)
F/X	(3.1%)	(2.5%)
Total H.B. Fuller net revenue decline	(11.2%)	(7.8%)

	Three Months Ended May 30, 2020				Six Months Ended May 30, 2020			
	Net Revenue	F/X	M&A	Organic Growth (Decline)	Net Revenue	F/X	M&A	Organic Growth (Decline)
Hygiene, Health and Consumable Adhesives	2.0%	(4.8%)	0.0%	6.8%	(0.1%)	(3.6%)	0.0%	3.5%
Engineering Adhesives	(22.3%)	(2.3%)	0.0%	(20.0%)	(14.7%)	(1.9%)	0.0%	(12.8%)
Construction Adhesives	(16.0%)	(0.7%)	0.0%	(15.3%)	(8.0%)	(0.6%)	0.0%	(7.4%)
Unallocated Corporate	NMP	0.0%	NMP	0.0%	NMP	0.0%	NMP	0.0%
Total H.B. Fuller	11.2%	(3.1%)	(0.8%)	(7.3%)	(7.8%)	(2.5%)	(0.8%)	(4.5%)

NMP: non-material percentage

Investor contact:
Vice President, Investor Relations
H.B. Fuller
Barbara Doyle
(651) 236-5023