Third Quarter 2020 Conference Call

Investor Presentation



St. Paul, MN
September 24, 2020

H.B. Fuller | Connecting what matters.™

Q3 2020 Quarterly Results

Highlights

- Built on share gains, new business wins and continued cost efficiencies and delivered performance ahead of our expectations
- Solid sequential improvement in sales, EPS and EBITDA vs. strong Q2'20
- Adjusted EBITDA of $106M, exceeded expectations
- Sales performance of -2.5% organic decline YoY exceeded expectations
  - Diverse product, customer and end market mix
  - HHC sales up 1% organically, moderating, as expected after a very strong Q2
  - EA and CA improved meaningfully with share gains as markets continued to open up
- Continue to drive GBU restructuring savings with $7M savings in Q3
- Validated operational improvement projects to save additional $20 – $30M by 2022
- Strong cash flow performance supports plans for $200M debt paydown in FY2020

Q3 2020 Global Segment Summary

Hygiene, Health and Consumables Adhesives (HHC)

- Continued growth especially in Packaging, Tissue & Towel, Health & Beauty
- EBITDA margin remained strong at 13.6% with lower raw material costs, restructuring savings
- Leveraging FUL technology to meet customer demand for sustainable adhesive solutions

Construction Adhesives (CA)

- Higher sequential revenues in both Flooring and Roofing
- DIY/retail activity strong; contractor flooring and commercial roofing improved at a slower pace
- EBITDA margin remained strong at 15% with lower raw material costs, restructuring savings
- Portfolio/operational improvements will drive higher margins as contractor & commercial activity builds

Engineering Adhesives (EA)

- Significant sequential improvement
- Double-digit YoY growth in Electronics, RV and Technical Textiles; solid growth IG and Woodworking
- Slower but improving results in Transportation-related markets
- EBITDA margin up 210 basis points sequentially vs. Q2 driven by volume and mix

Q3 2020 Key Financial Results Summary

- Adjusted EBITDA of $106M and organic revenue down 2.5% exceeded expectations
- Adjusted EPS of $0.76 down YoY due to COVID-19 impacts on global demand
- YTD Cash Flow from Operations of $193M up 20% YoY
- Paid down $59M of debt, ahead of our $40 - $50M Q3 target
- Strong cash flow continues to support plan for $200M of debt paydown in 2020

Q4 2020 Guidance

- Forecasting sequential improvement from Q3’20
- Revenues expected to increase by 4% to 7% sequentially vs. Q3’20
  - Flat to down 3% year-over-year
- Adjusted EBITDA range of $110M to $115M
  - In-line with Q4’19 performance
- Raw material costs beginning to flatten: Q4 costs expected to be similar to Q3 levels, while still down year-over-year
- Anticipate strong cash flow performance to deliver $200M full year debt paydown
- 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 speed is competitive advantage
- Cash generative business with ample liquidity and room under debt covenants
- Business realignment and global operation efficiency projects driving $55 -$65 million of total savings between FY2020 and FY2022
- Strong business performance during the pandemic
- Well-positioned to grow as end markets show signs of improvement while maintaining the same focus and agility that helped us deliver strong YTD results



H.B. Fuller



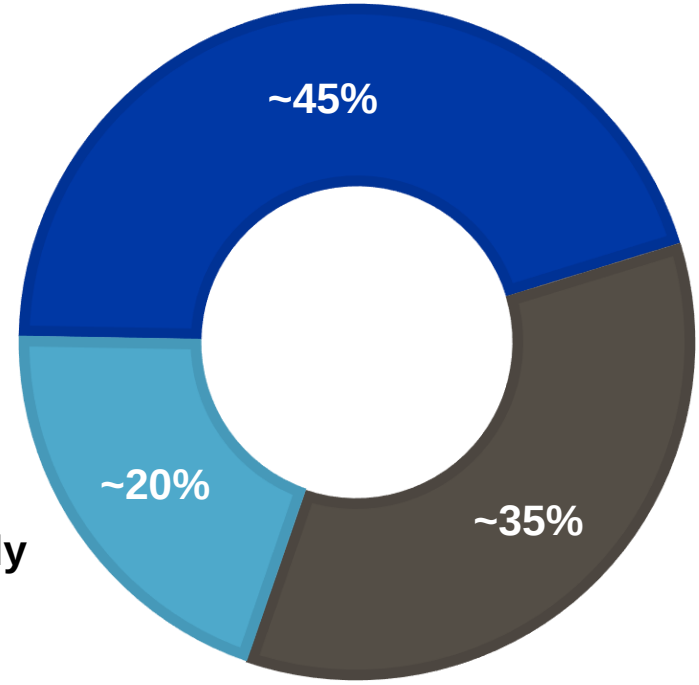
APPENDIX

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		Nine Months Ended	
	August 29, 2020	August 31, 2019	August 29, 2020	August 31, 2019
Net income attributable to H.B. Fuller	$ 41,607	$ 49,718	$ 83,115	$ 98,603
Adjustments:				
Acquisition project costs	(55)	1,535	(1,162)	2,158
Organizational realignment	2,511	(684)	6,199	1,110
Royal restructuring and integration	1,358	(9,132)	5,502	(1,150)
Tax reform	-	-	(26)	55
Project ONE	1,216	1,130	3,100	3,179
Other [2]	(6,687)	1,660	(3,842)	3,427
Adjusted net income attributable to H.B. Fuller [3]	39,950	44,227	92,886	107,382
Add:				
Interest expense	20,220	25,607	64,650	79,354
Interest income	(2,945)	(3,115)	(8,761)	(9,191)
Income taxes	14,050	14,798	32,335	37,219
Depreciation and amortization expense [4]	34,432	34,606	102,992	105,403
Adjusted EBITDA [3]	105,707	116,123	284,102	320,167
Diluted Shares	52,591	51,502	52,400	51,836
Adjusted diluted income per common share attributable to H.B. Fuller [3]	$ 0.76	$ 0.86	$ 1.77	$ 2.07
Revenue	$ 691,463	$ 725,376	$ 2,012,629	$ 2,157,894
Adjusted EBITDA margin [3]	15.3%	16.0%	14.1%	14.8%

[2] Includes adjustment of ($7,182) of discrete tax benefit in the quarter ended August 29, 2020 related to various foreign tax matters and a tax benefit relating to the revaluation of cross-currency swap agreements due to appreciation of the Euro versus U.S. dollar.

[3] 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 U.S. GAAP.

[4] Depreciation and amortization expense added back for EBITDA is adjusted for amounts already included in Adjusted net income attributable to H.B. Fuller H.B. Fuller totaling ($413) and ($174) for the three months ended August 29, 2020 and August 30, 2019, respectively and ($509) and ($1,135) for the nine months ended August 29, 2020 and August 30, 2019, respectively.

Regulation G – Q3 Segment Information

	Three Months Ended	
	August 29, 2020	August 31, 2019
Net Revenue:		
Hygiene, Health and Consumable Adhesives	$ 320,187	$ 328,420
Engineering Adhesives	276,083	286,716
Construction Adhesives	95,193	108,406
Corporate Unallocated	-	1,834
Total H.B. Fuller	$ 691,463	$ 725,376
Segment Operating Income:		
Hygiene, Health and Consumable Adhesives	$ 31,883	$ 32,638
Engineering Adhesives	29,873	36,847
Construction Adhesives	4,284	7,650
Corporate Unallocated	(7,309)	(10,429)
Total H.B. Fuller	$ 58,731	$ 66,706
Adjusted EBITDA [3]		
Hygiene, Health and Consumable Adhesives	$ 43,697	$ 45,146
Engineering Adhesives	46,831	52,152
Construction Adhesives	14,394	17,486
Corporate Unallocated	785	1,339
Total H.B. Fuller	$ 105,707	$ 116,123
Adjusted EBITDA Margin [3]		
Hygiene, Health and Consumable Adhesives	13.6%	13.7%
Engineering Adhesives	17.0%	18.2%
Construction Adhesives	15.1%	16.1%
Corporate Unallocated	NMP	NMP
Total H.B. Fuller	15.3%	16.0%

NMP = Non-meaningful percentage

Regulation G – FY2020 Segment Information

	Nine Months Ended	
	August 29, 2020	August 31, 2019
Net Revenue:		
Hygiene, Health and Consumable Adhesives	$ 977,373	$ 986,166
Engineering Adhesives	761,040	855,010
Construction Adhesives	274,216	302,987
Corporate Unallocated	-	13,731
Total H.B. Fuller	$ 2,012,629	$ 2,157,894
Segment Operating Income:		
Hygiene, Health and Consumable Adhesives	$ 89,556	$ 85,576
Engineering Adhesives	65,386	98,146
Construction Adhesives	9,436	14,246
Corporate Unallocated	(19,991)	(24,670)
Total H.B. Fuller	$ 144,387	$ 173,298
Adjusted EBITDA [3]		
Hygiene, Health and Consumable Adhesives	$ 127,914	$ 123,700
Engineering Adhesives	112,918	144,521
Construction Adhesives	39,893	44,185
Corporate Unallocated	3,377	7,761
Total H.B. Fuller	$ 284,102	$ 320,167
Adjusted EBITDA Margin [3]		
Hygiene, Health and Consumable Adhesives	13.1%	12.5%
Engineering Adhesives	14.8%	16.9%
Construction Adhesives	14.5%	14.6%
Corporate Unallocated	NMP	NMP
Total H.B. Fuller	14.1%	14.8%

NMP = Non-meaningful percentage

Regulation G – Adjusted Income Reconciliation

	Three Months Ended		Nine Months Ended	
	August 29, 2020	August 31, 2019	August 29, 2020	August 31, 2019
Income before income taxes and income from equity method investments	$ 45,202	$ 66,976	$ 100,291	$ 132,248
Adjustments:				
Acquisition project costs	(73)	1,871	(1,584)	2,641
Organizational realignment	3,308	(1,345)	8,286	885
Royal restructuring and integration	1,790	(12,131)	7,379	(1,591)
Tax reform	-	-	(35)	75
Project ONE	1,602	1,378	4,141	3,982
Other	654	213	1,725	1,105
Adjusted income before income taxes and income from equity method investments [5]	$ 52,483	$ 56,962	$ 120,203	$ 139,345

[5] 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		Nine Months Ended	
	August 29, 2020	August 31, 2019	August 29, 2020	August 31, 2019
Income taxes	$ (5,112)	$ (19,321)	$ (22,194)	$ (38,902)
Adjustments:				
Acquisition project costs	18	(336)	423	(482)
Organizational realignment	(797)	660	(2,087)	225
Royal restructuring and integration	(431)	2,999	(1,877)	441
Tax reform	-	-	9	(20)
Project ONE	(386)	(247)	(1,043)	(803)
Other [2]	(7,342)	1,447	(5,566)	2,322
Adjusted income taxes [6]	$ (14,050)	$ (14,798)	$ (32,335)	$ (37,219)
Adjusted income before income taxes and income from equity method investments	$ 52,483	$ 56,962	$ 120,203	$ 139,345
Adjusted effective income tax rate [6]	26.8%	26.0%	26.9%	26.7%

[2] Includes adjustment of ($7,182) of discrete tax benefit in the quarter ended August 29, 2020 related to various foreign tax matters and a tax benefit relating to the revaluation of cross-currency swap agreements due to appreciation of the Euro versus U.S. dollar.

[6] 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		Nine Months Ended	
	August 29, 2020	August 31, 2019	August 29, 2020	August 31, 2019
Net revenue	691,463	725,376	2,012,629	2,157,894
Gross profit	$ 187,844	$ 207,321	$ 543,007	$ 605,705
Gross profit margin	27.2%	28.6%	27.0%	28.1%
Adjustments:				
Organizational realignment	(204)	(367)	(53)	(124)
Royal restructuring and integration	1,132	1,741	2,730	4,250
Other	272	(5)	1,263	(9)
Adjusted gross profit [7]	$ 189,044	$ 208,690	$ 546,947	$ 609,822
Adjusted gross profit margin [7]	27.3%	28.8%	27.2%	28.3%

[7] 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		Nine Months Ended	
	August 29, 2020	August 31, 2019	August 29, 2020	August 31, 2019
Selling, general and administrative expenses	$ (129,113)	$ (140,615)	$ (398,620)	$ (432,407)
Adjustments:				
Acquisition project costs	(73)	1,871	(1,584)	2,641
Organizational realignment	3,516	2,937	8,342	4,551
Royal restructuring and integration	682	2,737	4,725	10,747
Tax reform	-	-	(35)	75
Project ONE	1,602	1,378	4,142	3,982
Other	382	242	462	1,134
Adjusted selling, general and administrative expenses [8]	$ (123,004)	$ (131,450)	$ (382,568)	$ (409,277)

[8] 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 – Q3'20 Segment EBITDA Reconciliation

	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Three Months Ended August 29, 2020						
Net income attributable to H.B. Fuller	$ 33,688	$ 31,334	$ 5,468	$ 70,490	$ (28,883)	$ 41,607
Adjustments:						
Acquisition project costs	-	-	-	-	(55)	(55)
Organizational realignment	-	-	-	-	2,511	2,511
Royal restructuring and integration	-	-	-	-	1,358	1,358
Project ONE	-	-	-	-	1,216	1,216
Other	-	-	-	-	(6,687)	(6,687)
Adjusted net income attributable to H.B. Fuller [3]	33,688	31,334	5,468	70,490	(30,540)	39,950
Add:						
Interest expense	-	-	-	-	20,220	20,220
Interest income	-	-	-	-	(2,945)	(2,945)
Income taxes	-	-	-	-	14,050	14,050
Depreciation and amortization expense	10,009	15,497	8,926	34,432	-	34,432
Adjusted EBITDA [3]	$ 43,697	$ 46,831	$ 14,394	$ 104,922	$ 785	$ 105,707
Revenue	320,187	276,083	95,193	691,463	-	691,463
Adjusted EBITDA Margin [3]	13.6%	17.0%	15.1%	15.2%	NMP	15.3%

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-meaningful percentage

Regulation G – FY 2020 Segment EBITDA Reconciliation

	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Nine Months Ended August 29, 2020						
Net income attributable to H.B. Fuller	$ 94,979	$ 69,767	$ 12,987	$ 177,733	$ (94,618)	$ 83,115
Adjustments:						
Acquisition project costs	-	-	-	-	(1,162)	(1,162)
Organizational realignment	-	-	-	-	6,199	6,199
Royal restructuring and integration	-	-	-	-	5,502	5,502
Tax reform	-	-	-	-	(26)	(26)
Project ONE	-	-	-	-	3,100	3,100
Other	-	-	-	-	(3,842)	(3,842)
Adjusted net income attributable to H.B. Fuller [3]	94,979	69,767	12,987	177,733	(84,847)	92,886
Add:						
Interest expense	-	-	-	-	64,650	64,650
Interest income	-	-	-	-	(8,761)	(8,761)
Income taxes	-	-	-	-	32,335	32,335
Depreciation and amortization expense	32,935	43,151	26,906	102,992	-	102,992
Adjusted EBITDA [3]	$ 127,914	$ 112,918	$ 39,893	$ 280,725	$ 3,377	$ 284,102
Revenue	977,373	761,040	274,216	2,012,629	-	2,012,629
Adjusted EBITDA Margin [3]	13.1%	14.8%	14.5%	13.9%	NMP	14.1%

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-meaningful percentage

Regulation G – Q3'19 Segment EBITDA Reconciliation

	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Three Months Ended August 31, 2019						
Net income attributable to H.B. Fuller	$ 33,934	$ 38,014	$ 8,662	$ 80,610	$ (30,892)	$ 49,718
Adjustments:						
Acquisition project costs	-	-	-	-	1,535	1,535
Organizational realignment	-	-	-	-	(684)	(684)
Royal Restructuring	-	-	-	-	(9,132)	(9,132)
Project ONE	-	-	-	-	1,130	1,130
Other	-	-	-	-	1,660	1,660
Adjusted net income attributable to H.B. Fuller [3]	33,934	38,014	8,662	80,610	(36,383)	44,227
Add:						
Interest expense	-	-	-	-	25,607	25,607
Interest income	-	-	-	-	(3,115)	(3,115)
Income taxes	-	-	-	-	14,798	14,798
Depreciation and amortization expense	11,212	14,138	8,824	34,174	432	34,606
Adjusted EBITDA [3]	$ 45,146	$ 52,152	$ 17,486	$ 114,784	$ 1,339	$ 116,123
Revenue	328,420	286,716	108,406	723,542	1,834	725,376
Adjusted EBITDA Margin [3]	13.7%	18.2%	16.1%	15.9%	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-meaningful percentage

Regulation G – FY 2019 Segment EBITDA Reconciliation

	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Nine Months Ended August 31, 2019						
Net income attributable to H.B. Fuller	$ 89,567	$ 101,476	$ 17,228	$ 208,271	$ (109,668)	$ 98,603
Adjustments:						
Acquisition project costs	-	-	-	-	2,158	2,158
Organizational realignment	-	-	-	-	1,110	1,110
Royal Restructuring	-	-	-	-	(1,150)	(1,150)
Tax Reform	-	-	-	-	55	55
Project ONE	-	-	-	-	3,179	3,179
Other	-	-	-	-	3,427	3,427
Adjusted net income attributable to H.B. Fuller [3]	89,567	101,476	17,228	208,271	(100,889)	107,382
Add:						
Interest expense	-	-	-	-	79,354	79,354
Interest income	-	-	-	-	(9,191)	(9,191)
Income taxes	-	-	-	-	37,219	37,219
Depreciation and amortization expense	34,133	43,045	26,957	104,135	1,268	105,403
Adjusted EBITDA [3]	$ 123,700	$ 144,521	$ 44,185	$ 312,406	$ 7,761	$ 320,167
Revenue	986,166	855,010	302,987	2,144,163	13,731	2,157,894
Adjusted EBITDA Margin [3]	12.5%	16.9%	14.6%	14.6%	NMP	14.8%

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-meaningful percentage

Revenue Performance Components

	Three Months Ended August 29, 2020	Nine Months Ended August 29, 2020
Price	(0.4%)	(0.7%)
Volume	(2.1%)	(3.1%)
Organic Growth (Decline)	(2.5%)	(3.8%)
M&A	(0.2%)	(0.6%)
F/X	(2.0%)	(2.3%)
Total H.B. Fuller net revenue decline	(4.7%)	(6.7%)

	Three Months Ended August 29, 2020				Nine Months Ended August 29, 2020			
	Net Revenue	F/X	M&A	Organic Growth (Decline)	Net Revenue	F/X	M&A	Organic Growth (Decline)
Hygiene, Health and Consumable Adhesives	(2.5%)	(3.6%)	0.0%	1.1%	(0.9%)	(3.6%)	0.0%	2.7%
Engineering Adhesives	(3.7%)	(0.8%)	0.0%	(2.9%)	(11.0%)	(1.5%)	0.0%	(9.5%)
Construction Adhesives	(12.2%)	0.0%	0.0%	(12.2%)	(9.5%)	(0.3%)	0.0%	(9.2%)
Unallocated Corporate	NMP	0.0%	NMP	0.0%	NMP	0.0%	NMP	0.0%
Total H.B. Fuller	(4.7%)	(2.0%)	(0.2%)	(2.5%)	(6.7%)	(2.3%)	(0.6%)	(3.8%)

NMP = Non-meaningful percentage

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