Fourth Quarter 2019 Conference Call

Investor Presentation



St. Paul, MN
January 23, 2020

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 2020 outlook, which are unknown or have not yet occurred.

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.

Q4'19 Quarterly Results

Highlights

- Share gains in strategic segments amidst continued slow industrial production
- Sequential improvement in Q4'19 FUL volume trends vs. Q3'19
- Increased FY19 profitability in a challenging manufacturing environment
- Strong cash flow conversion and de-levering faster than planned
- Completed GBU realignment including $25 - $35 million of cost savings
- Company actions in place to deliver organic revenue and strong earnings and cash flow growth in FY20

FY 2019 Imperatives

✓ EBITDA
- Adj EPS & EBITDA up YoY @ constant currency
- Share gains in strategic markets

✓ Realized $15M Royal synergies, on-track to target

✓ Increased cash flow & exceeded $200M debt paydown target
- $268M debt paydown also exceeded Q3'19 upwardly-revised target of $260M
- FY'19 FCF of $207M up 12% YoY

Q4 2019 Segment Summary

Americas Adhesives

- Organic sales growth +3% year-over-year against significantly lower US PMI
- Growth driven by increased volume; now annualized against 2018 pricing actions
- Improving volume trends sequentially vs. Q3

EIMEA

- PMI slowdown in core Europe
- Improving volume trends sequentially vs. Q3
- EBITDA margin increased year-over-year

Asia Pacific

- Organic sales growth +2%
- Korea, SEA and China results offset weak A/NZ
- +8% adjusted EBITDA increase year-over-year

Construction Adhesives

- Ongoing headwinds – lower construction & industrial spending
- New GBU leadership
- Plant inefficiencies being addressed through M&A integration activities

Engineering Adhesives

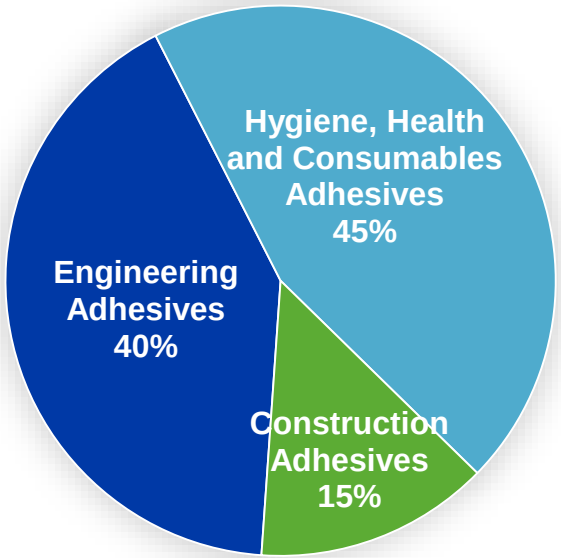
- Organic sales growth vs. very strong Q4'18
- Slow Automotive market
- Strong adjusted EBITDA margin of 21%

Completed Realignment to Three GBUs

Benefits

- Enhances strategic alignment of business strategies
- Accelerates global coordination across regions and end markets
- Simplifies business and reduces costs

Estimated FY19 Revenue



	Engineering Adhesives	HHC Adhesives	Construction Adhesives
Near-term growth	▪ Mid single digits	▪ Low single digits	▪ Low single digits
Long-term growth	▪ Double-digit	▪ Low to mid single digits	▪ Above market rates
Targeted EBITDA %	▪ High teens to 20%	▪ Mid teens	▪ High teens

Q4 2019 Key Financial Results Summary

- Net Revenue down 3.8% year-over-year; organic sales down 0.9%
- Adjusted gross margin of 27.6% down 20 bps YOY
- Adjusted SG&A approximately flat YoY
- Adjusted EPS of $0.88; up ~4% YoY excluding FX and divestiture
- Adjusted EBITDA of $112M; EBITDA margin flat YoY excluding FX and divestiture
- Full Year Free Cash Flow of $207M up 12% YoY
- Paid down $268M of debt YTD; up $64 million versus 2018 debt paydown

FY 2020 Guidance

	FY'20 Guidance
Net Revenue	Flat to +1% YoY
Organic Growth	*1% to 2%*
FX impact	*-0.5% approximately*
Divestiture	*-0.5% approximately*
Adjusted EPS	$3.15 to $3.35
Adjusted EBITDA	$440M to $460M
Debt paydown	$200M

Key Guidance Assumptions:

- Loss of $5M EBITDA and $0.05 adjusted EPS in FY'20 due to surfactants divestiture
- Approx. 17-18% of EBITDA achieved in Q1'20 based on seasonality
- Interest expense of ~$80M
- Core effective tax rate between 26% and 28%
- Capital expenditures of ~$85 million
- Excludes pre-tax expenses of $6 to 10M for business realignment and integration costs, $12M - $15M of ERP costs

Wrap-Up

- Margin and cash flow resilience amidst challenging external conditions
- Winning new customer business in highly engineered applications
- Expect 2020 macroeconomic environment to be similar to 2019
- Business realignment drives cost savings and organic growth
- Company actions support strong earnings and cash flow increases in FY20
- Accelerating debt deleverage commitments



H.B. Fuller



APPENDIX

Regulation G – EPS & EBITDA Reconciliation

	13 Weeks Ended		52 Weeks Ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Net income attributable to H.B. Fuller	$ 32,214	$ 41,345	$ 130,817	$ 171,208
Adjustments:				
Acquisition project costs	45	616	2,204	2,833
Tonsan call option agreement	-	3,555	-	1,496
Organizational realignment	6,535	469	7,647	2,836
Royal restructuring and integration	1,957	5,930	787	20,351
Tax reform	76	(7,138)	132	(43,276)
Project One	937	451	4,115	4,780
Other	4,520	1,336	7,964	(4,266)
Adjusted net income attributable to H.B. Fuller[1]	46,284	46,564	153,666	155,962
Add:				
Interest expense	23,933	27,468	103,287	110,624
Interest income	(2,987)	(3,005)	(12,178)	(11,774)
Income taxes	10,246	13,580	47,465	49,541
Depreciation and amortization expense [A]	34,702	35,964	140,105	144,400
Adjusted EBITDA[1]	112,178	120,571	432,345	448,753
Diluted Shares	52,423	52,017	51,983	51,975
Adjusted diluted income per common share attributable to H.B. Fuller[1]	$ 0.88	$ 0.90	$ 2.96	$ 3.00
Revenue	$ 739,106	$ 768,429	$ 2,897,000	$ 3,041,002
Adjusted EBITDA margin[1]	15.2%	15.7%	14.9%	14.8%

[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 $34 and ($1,101) for the three and twelve months ended November 30, 2019, respectively, and $0 and ($726) for the three and twelve months ended December 1, 2018, respectively.

Regulation G – Q4 Segment Information

	13 Weeks Ended November 30, 2019	13 Weeks Ended December 1, 2018
Net Revenue:		
Americas Adhesives	$ 261,366	$ 265,434
EIMEA	164,669	174,790
Asia Pacific	71,476	71,172
Construction Adhesives	93,294	106,921
Engineering Adhesives	148,301	150,112
Total H.B. Fuller	$ 739,106	$ 768,429
Segment Operating Income:		
Americas Adhesives	$ 21,723	$ 26,173
EIMEA	3,802	6,875
Asia Pacific	6,514	6,737
Construction Adhesives	823	6,008
Engineering Adhesives	19,834	18,704
Total H.B. Fuller	$ 52,696	$ 64,497
Adjusted EBITDA[1]		
Americas Adhesives	$ 36,834	$ 42,263
EIMEA	18,159	18,702
Asia Pacific	10,044	9,295
Construction Adhesives	12,457	17,980
Engineering Adhesives	31,152	32,516
Corporate unallocated	3,532	(185)
Total H.B. Fuller	$ 112,178	$ 120,571
Adjusted EBITDA Margin[1]		
Americas Adhesives	14.1%	15.9%
EIMEA	11.0%	10.7%
Asia Pacific	14.1%	13.1%
Construction Adhesives	13.4%	16.8%
Engineering Adhesives	21.0%	21.7%
Corporate unallocated	0.5%	(0.0%)
Total H.B. Fuller	15.2%	15.7%



Regulation G – Full Year Segment Information

	52 Weeks Ended November 30, 2019	52 Weeks Ended December 1, 2018
Net Revenue:		
Americas Adhesives	$ 1,022,775	$ 1,051,365
EIMEA	640,913	697,448
Asia Pacific	271,585	278,162
Construction Adhesives	394,912	452,046
Engineering Adhesives	566,815	561,981
Total H.B. Fuller	$ 2,897,000	$ 3,041,002
Segment Operating Income:		
Americas Adhesives	$ 92,195	$ 98,966
EIMEA	22,256	29,589
Asia Pacific	22,165	17,742
Construction Adhesives	11,971	30,418
Engineering Adhesives	77,407	61,176
Total H.B. Fuller	$ 225,994	$ 237,891
Adjusted EBITDA[1]		
Americas Adhesives	$ 148,492	$ 159,907
EIMEA	66,020	73,153
Asia Pacific	34,435	29,101
Construction Adhesives	56,696	78,461
Engineering Adhesives	119,255	103,423
Corporate unallocated	7,447	4,708
Total H.B. Fuller	$ 432,345	$ 448,753
Adjusted EBITDA Margin[1]		
Americas Adhesives	14.5%	15.2%
EIMEA	10.3%	10.5%
Asia Pacific	12.7%	10.5%
Construction Adhesives	14.4%	17.4%
Engineering Adhesives	21.0%	18.4%
Corporate unallocated	0.3%	0.2%
Total H.B. Fuller	14.9%	14.8%

Regulation G – Adjusted Income Reconciliation

	13 Weeks Ended		52 Weeks Ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Income before income taxes and income from equity method investments	$ 40,580	$ 42,863	$ 172,828	$ 156,726
Adjustments:				
Acquisition project costs	63	848	2,703	3,957
Tonsan call option agreement	-	3,555	-	1,496
Organizational realignment	9,280	544	10,168	2,840
Royal restructuring and integration	2,327	8,094	713	28,566
Tax reform	106	305	180	305
Project One	1,293	601	5,275	6,867
Other	741	1,364	1,867	(3,380)
Adjusted income before income taxes and income from equity method investments [2]	$ 54,390	$ 58,174	$ 193,734	$ 197,377

[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 finanacial measure determined and reported in accordance with GAAP.

Regulation G – Adjusted Income Tax Reconciliation

	13 Weeks Ended		52 Weeks Ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Income Taxes	$ (10,506)	$ (3,488)	$ (49,408)	$ 6,356
Adjustments:				
Acquisition project costs	(17)	(232)	(500)	(1,124)
Tonsan call option agreement	-	-	-	-
Organizational realignment	(2,746)	(75)	(2,521)	(4)
Royal restructuring and integration	(371)	(2,164)	74	(8,215)
Tax reform	(29)	(7,444)	(49)	(43,582)
Project One	(356)	(150)	(1,159)	(2,087)
Other	3,779	(27)	6,098	(885)
Adjusted income taxes [3]	$ (10,246)	$ (13,580)	$ (47,465)	$ (49,541)
Adjusted income before income taxes and income from equity method investments	$ 54,390	$ 58,174	$ 193,734	$ 197,377
Adjusted effective income tax rate [3]	18.8%	23.3%	24.5%	25.1%

[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 adjusted 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

	13 Weeks Ended		52 Weeks Ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Net revenue	739,106	768,429	2,897,000	3,041,002
Gross profit	$ 201,217	$ 207,429	$ 806,922	$ 828,158
Gross profit margin	27.2%	27.0%	27.9%	27.2%
Adjustments:				
Acquisition project costs	-	526	-	2,522
Tonsan call option agreement	-	-	-	-
Organizational realignment	506	235	381	1,533
Royal restructuring and integration	2,065	2,810	6,316	5,026
Tax reform	-	-	-	-
Project One	-	-	-	-
Other	199	2,407	191	2,407
Adjusted gross profit [4]	$ 203,987	$ 213,407	$ 813,810	$ 839,646
Adjusted gross profit margin [4]	27.6%	27.8%	28.1%	27.6%

[4] Adjusted gross profit and gross profit margin are non-GAAP financial measures. Adjusted gross profit and 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

	13 Weeks Ended		52 Weeks Ended	
	November 30, 2019	December 1, 2018	November 30, 2019	December 1, 2018
Selling, general and administrative expenses	$ (148,521)	$ (142,932)	$ (580,928)	$ (590,267)
Adjustments:				
Acquisition project costs	63	323	2,703	1,437
Tonsan call option agreement	-	3,450	-	1,127
Organizational realignment	8,746	309	13,300	1,307
Royal restructuring and integration	4,551	5,114	15,296	23,370
Tax reform	105	305	180	305
Project ONE	1,293	601	5,275	6,867
Other	363	380	1,497	407
Adjusted selling, general and administrative expenses [5]	$ (133,400)	$ (132,450)	$ (542,677)	$ (555,447)

[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 – Q4'19 Segment EBITDA Reconciliation

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
13 Weeks Ended November 30, 2019 Net income attributable to H.B. Fuller	$ 23,703	$ 4,352	$ 6,555	$ 1,536	$ 19,908	$ 56,054	$ (23,840)	$ 32,214
Adjustments:								
Acquisition project costs	16	10	25	5	6	62	(17)	45
Tonsan call option agreement	-	-	-	-	-	-	-	-
Organizational realignment	2,866	3,827	852	778	929	9,252	(2,717)	6,535
Royal restructuring and integration	1,242	2,678	390	840	1,465	6,615	(4,658)	1,957
Tax reform	40	26	13	12	15	106	(30)	76
Project One	493	314	159	146	181	1,293	(356)	937
Other	199	363	-	-	-	562	3,958	4,520
Adjusted net income attributable to H.B. Fuller [1]	28,559	11,570	7,994	3,317	22,504	73,944	(27,660)	46,284
Add:								
Interest expense	-	-	-	-	-	-	23,933	23,933
Interest income	-	-	-	-	-	-	(2,987)	(2,987)
Income taxes	-	-	-	-	-	-	10,246	10,246
Depreciation and amortization expense	8,275	6,589	2,050	9,140	8,648	34,702	-	34,702
Adjusted EBITDA [1]	$ 36,834	$ 18,159	$ 10,044	$ 12,457	$ 31,152	$ 108,646	$ 3,532	$ 112,178

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 – FY'19 Segment EBITDA Reconciliation

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
52 Weeks Ended November 30, 2019 Net income attributable to H.B. Fuller	$ 100,101	$ 24,752	$ 22,328	$ 14,741	$ 77,734	$ 239,656	$ (108,839)	$ 130,817
Adjustments:								
Acquisition project costs	1,000	649	378	302	375	2,704	(500)	2,204
Tonsan call option agreement	-	-	-	-	-	-	-	-
Organizational realignment	5,942	4,889	1,040	655	1,155	13,681	(6,034)	7,647
Royal restructuring and integration	4,578	6,975	1,679	4,261	4,093	21,586	(20,799)	787
Tax reform	68	44	22	21	25	180	(48)	132
Project One	1,993	1,288	652	598	744	5,275	(1,160)	4,115
Other	1,113	598	-	-	-	1,711	6,253	7,964
Adjusted net income attributable to H.B. Fuller [1]	114,795	39,195	26,099	20,578	84,126	284,793	(131,127)	153,666
Add:								
Interest expense	-	-	-	-	-	-	103,287	103,287
Interest income	-	-	-	-	-	-	(12,178)	(12,178)
Income taxes	-	-	-	-	-	-	47,465	47,465
Depreciation and amortization expense	33,697	26,825	8,336	36,118	35,129	140,105	-	140,105
Adjusted EBITDA [1]	$ 148,492	$ 66,020	$ 34,435	$ 56,696	$ 119,255	$ 424,898	$ 7,447	$ 432,345

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 – Q4'18 Segment EBITDA Reconciliation

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Unallocated	H.B. Fuller Consolidated
13 Weeks Ended December 1, 2018 Net income attributable to H.B. Fuller	$ 28,576	$ 8,153	$ 6,945	$ 7,015	$ 19,067	$ 69,756	$ (28,411)	$ 41,345
Adjustments:								
Acquisition project costs	796	22	10	10	11	849	(233)	616
Tonsan call option agreement	-	-	-	-	3,449	3,449	106	3,555
Organizational realignment	12	361	4	163	4	544	(75)	469
Royal Restructuring	1,688	3,053	391	1,506	1,287	7,925	(1,995)	5,930
Tax reform	120	75	35	36	39	305	(7,443)	(7,138)
Project One	236	148	70	71	76	601	(150)	451
Other	1,796	(8)	(169)	(77)	(179)	1,363	(27)	1,336
Adjusted net income attributable to H.B. Fuller [1]	33,224	11,804	7,286	8,724	23,754	84,792	(38,228)	46,564
Add:								
Interest expense	-	-	-	-	-	-	27,468	27,468
Interest income	-	-	-	-	-	-	(3,005)	(3,005)
Income taxes	-	-	-	-	-	-	13,580	13,580
Depreciation and amortization expense	9,039	6,898	2,009	9,256	8,762	35,964	-	35,964
Adjusted EBITDA [1]	$ 42,263	$ 18,702	$ 9,295	$ 17,980	$ 32,516	$ 120,756	$ (185)	$ 120,571

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'18 Segment EBITDA Reconciliation

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Unallocated	H.B. Fuller Consolidated
52 Weeks Ended December 1, 2018 Net income attributable to H.B. Fuller	$ 106,955	$ 33,742	$ 18,063	$ 33,908	$ 62,094	$ 254,762	$ (83,554)	$ 171,208
Adjustments:								
Acquisition project costs	3,679	94	45	45	95	3,958	(1,125)	2,833
Tonsan call option agreement	-	-	-	-	1,126	1,126	370	1,496
Organizational realignment	200	1,702	8	922	9	2,841	(5)	2,836
Royal Restructuring	9,002	7,597	1,874	5,843	4,081	28,397	(8,046)	20,351
Tax reform	121	75	35	36	39	306	(43,582)	(43,276)
Project One	2,700	1,690	797	809	871	6,867	(2,087)	4,780
Other	1,817	(7)	(168)	(76)	(178)	1,388	(5,654)	(4,266)
Adjusted net income attributable to H.B. Fuller [1]	124,474	44,893	20,654	41,487	68,137	299,645	(143,683)	155,962
Add:								
Interest expense	-	-	-	-	-	-	110,624	110,624
Interest income	-	-	-	-	-	-	(11,774)	(11,774)
Income taxes	-	-	-	-	-	-	49,541	49,541
Depreciation and amortization expense	35,433	28,260	8,447	36,974	35,286	144,400	-	144,400
Adjusted EBITDA [1]	$ 159,907	$ 73,153	$ 29,101	$ 78,461	$ 103,423	$ 444,045	$ 4,708	$ 448,753

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 November 30, 2019 Total	52 Weeks Ended November 30, 2019 Total
Price	(0.5%)	1.0%
Volume	(0.4%)	(2.1%)
Organic Growth (Decline)	(0.9%)	(1.1%)
M&A	(0.8%)	(0.3%)
F/X	(2.1%)	(3.3%)
Total H.B. Fuller Net Revenue Decline	(3.8%)	(4.7%)

	13 Weeks Ended November 30, 2019			52 Weeks Ended November 30, 2019		
	Net Revenue	F/X and M&A	Organic Growth (Decline)	Net Revenue	F/X and M&A	Organic Growth (Decline)
Americas Adhesives	(1.5%)	(4.7%)	3.2%	(2.7%)	(3.8%)	1.1%
EIMEA	(5.8%)	(2.3%)	(3.5%)	(8.1%)	(5.4%)	(2.7%)
Asia Pacific	0.4%	(1.8%)	2.2%	(2.4%)	(3.5%)	1.1%
Construction Adhesives	(12.7%)	(0.4%)	(12.3%)	(12.6%)	(0.6%)	(12.0%)
Engineering Adhesives	(1.2%)	(2.4%)	1.2%	0.9%	(3.3%)	4.2%
Total H.B. Fuller	(3.8%)	(2.9%)	(0.9%)	(4.7%)	(3.6%)	(1.1%)

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