

Fourth Quarter 2020 Conference Call Investor Presentation

St. Paul, MN
January 26, 2021



H.B. Fuller

Connecting what matters.™



Q4 2020 Quarterly Results

Highlights

- Q4'20 results up YoY on higher sales and business realignment efficiencies
 - Revenues up 5% with organic growth in all 3 business segments
 - Adjusted EBITDA up 9%
 - Adjusted EPS up 21%
 - Strong comparisons against pre-COVID business conditions in Q4'19
- Results exceeded company's guidance on strong execution
- Capitalizing on share gains as global production and end markets improve
- Benefits from business realignment savings of \$10M in Q4; ~\$30M for the full year
- Cash flow performance and improving growth demonstrate business resiliency
 - Operating cash flow up 27% in Q4 and up 23% for the full year
 - Enabled \$205M debt reduction in fiscal 2020, above \$200M target
 - 52nd consecutive year of dividends, 51st consecutive year of dividend increases



Q4 2020 Global Segment Summary

Hygiene, Health and Consumables Adhesives (HHC)

- 5% organic growth YoY – broad strength across regions and products
- Double-digit growth in Flexible Packaging, Tape & Labels
- EBITDA margin up 270 bps YoY on volume, mix and savings from our business realignment

Construction Adhesives (CA)

- 1% organic growth YoY – volume growth in all 3 end markets: Flooring, Roofing, Utility & Infrastructure
- Continued top line improvement each quarter since pandemic impact disruption in Q2'20
- Portfolio/operational improvements will drive higher margins as contractor & commercial activity builds

Engineering Adhesives (EA)

- 6% organic growth YoY – strong growth in Electronics, RV's, Woodworking, Panels, Auto, and Glass
- Continued strong sequential improvement in revenues
- Strong EBITDA performance with 17% margin



Q4 2020 Key Financial Results Summary

- Broad year-on-year improvement in nearly all key financial metrics in fourth quarter
- Growth of 5% organic revenues, 9% EBITDA, and 21% EPS above expectations
- Gross Margin and SG&A include variable compensation true-up for better than expected Q4'20 results
- Strong Cash Flow and Balance Sheet
 - Operating Cash Flow of \$139M up 27% YoY in fourth quarter, and up 23% for full year
 - Net annualized Working Capital improved vs. FY'19
 - Total FY'20 debt reduction of \$205M surpassed \$200M target
- Maintained planned Capital investments and Dividends in 2020 on strong cash flow



FY 2021 Planning Assumptions

- Planning for on-going business recovery in an environment that continues to be impacted by COVID-19-related restrictions and corresponding recessionary impacts
- Low to mid-single digit organic revenue growth
- Approx. 10% increase in adjusted EBITDA
 - Supported by share gains, improving global industrial production and additional savings from business realignment & operational improvement projects
 - Raw material costs expected to rise as 2021 progresses with offsets expected from new product formulations and pricing
- Core tax rate excluding discrete items of 26% to 29%
- Full year interest expense of approx. \$70M
- Anticipate strong cash flow performance to deliver \$200M full year debt reduction



Wrap-Up

- Maintained core priorities: health & safety of our employees and leveraging our technology and vast global capabilities to ensure our customers' business continuity
- Dedicated focus on adhesives positions H.B. Fuller to move first and fastest with a clear vision and mission – no distractions from other divisions or other priorities
- Delivered strong and consistent performance throughout 2020
 - HBF's global supply chain, agile coordination and speed are competitive advantages
 - Resilient business with broad adhesives portfolio and diverse customer exposure
 - Capitalized on share gains and built momentum as we exited 2020
 - Strong cash flow and balance sheet
- Entering 2021 well-positioned for higher growth and increased EBITDA
 - Supported by share gains and improving global industrial production
 - New product pipeline stronger than ever
 - Benefits from business realignment and global operation projects





H.B. Fuller



APPENDIX



Regulation G – EPS & EBITDA Reconciliation

	13 Weeks Ended		52 Weeks Ended	
	November 28, 2020	November 30, 2019	November 28, 2020	November 30, 2019
Net income attributable to H.B. Fuller	\$ 40,604	\$ 32,214	\$ 123,719	\$ 130,817
Adjustments:				
Acquisition project costs	999	45	(162)	2,204
Organizational realignment	5,250	6,535	11,449	7,647
Royal restructuring and integration	1,894	1,957	7,396	787
Tax reform	-	76	(26)	132
Project One	1,165	937	4,265	4,115
Other ²	6,110	4,520	2,268	7,964
Adjusted net income attributable to H.B. Fuller ³	56,022	46,284	148,909	153,666
Add:				
Interest expense	19,969	23,933	84,619	103,287
Interest income	(2,656)	(2,987)	(11,417)	(12,178)
Income taxes	14,122	10,246	46,456	47,465
Depreciation and Amortization expense ⁴	35,249	34,702	138,242	140,105
Adjusted EBITDA ³	122,706	112,178	406,809	432,345
Diluted Shares	52,879	52,423	52,520	51,983
Adjusted diluted income per common share attributable to H.B. Fuller ³	\$ 1.06	\$ 0.88	\$ 2.84	\$ 2.96
Revenue	\$ 777,640	\$ 739,106	\$ 2,790,269	\$ 2,897,000
Adjusted EBITDA margin ³	15.8%	15.2%	14.6%	14.9%

² Primarily related to discrete tax expense in the quarter ended November 28, 2020 associated with various foreign tax matters and audit settlements. The full year amount includes discrete tax expense related to various foreign matters and audit settlements partially offset by discrete tax benefit related to the revaluation of cross-currency swap agreements due to appreciation of the Euro versus US 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 totaling (\$67) and \$34 for the three months ended November 28, 2020 and November 30, 2019, respectively and (\$575) and (\$1,101) for the twelve months ended November 28, 2020 and November 30, 2019, respectively.



Regulation G – Q4 Segment Information

	13 Weeks Ended	
	November 28, 2020	November 30, 2019
Net Revenue:		
Hygiene, Health and Consumable Adhesives	\$ 355,413	\$ 342,120
Engineering Adhesives	327,273	303,393
Construction Adhesives	94,954	93,593
Corporate unallocated	-	-
Total H.B. Fuller	<u>\$ 777,640</u>	<u>\$ 739,106</u>
Segment Operating Income:		
Hygiene, Health and Consumable Adhesives	\$ 41,233	\$ 30,385
Engineering Adhesives	38,588	38,153
Construction Adhesives	1,712	2,411
Corporate unallocated	(7,603)	(18,253)
Total H.B. Fuller	<u>\$ 73,930</u>	<u>\$ 52,696</u>
Adjusted EBITDA ³		
Hygiene, Health and Consumable Adhesives	\$ 54,533	\$ 42,985
Engineering Adhesives	54,997	53,332
Construction Adhesives	11,799	12,329
Corporate unallocated	1,377	3,532
Total H.B. Fuller	<u>\$ 122,706</u>	<u>\$ 112,178</u>
Adjusted EBITDA Margin ³		
Hygiene, Health and Consumable Adhesives	15.3%	12.6%
Engineering Adhesives	16.8%	17.6%
Construction Adhesives	12.4%	13.2%
Corporate unallocated	NMP	NMP
Total H.B. Fuller	<u>15.8%</u>	<u>15.2%</u>
NMP = non-meaningful percentage		



Regulation G – Full Year Segment Information

	52 Weeks Ended	
	<u>November 28, 2020</u>	<u>November 30, 2019</u>
Net Revenue:		
Hygiene, Health and Consumable Adhesives	\$ 1,332,786	\$ 1,328,286
Engineering Adhesives	1,088,313	1,158,403
Construction Adhesives	369,170	396,580
Corporate unallocated	-	13,731
Total H.B. Fuller	<u>\$ 2,790,269</u>	<u>\$ 2,897,000</u>
Segment Operating Income:		
Hygiene, Health and Consumable Adhesives	\$ 130,789	\$ 115,961
Engineering Adhesives	103,974	136,299
Construction Adhesives	11,148	16,657
Corporate unallocated	(27,594)	(42,923)
Total H.B. Fuller	<u>\$ 218,317</u>	<u>\$ 225,994</u>
Adjusted EBITDA ³		
Hygiene, Health and Consumable Adhesives	\$ 182,448	\$ 166,685
Engineering Adhesives	167,915	197,853
Construction Adhesives	51,692	56,514
Corporate unallocated	4,754	11,293
Total H.B. Fuller	<u>\$ 406,809</u>	<u>\$ 432,345</u>
Adjusted EBITDA Margin ³		
Hygiene, Health and Consumable Adhesives	13.7%	12.5%
Engineering Adhesives	15.4%	17.1%
Construction Adhesives	14.0%	14.3%
Corporate unallocated	NMP	NMP
Total H.B. Fuller	<u>14.6%</u>	<u>14.9%</u>
NMP = non-meaningful percentage		



Regulation G – Adjusted Income Reconciliation

	13 Weeks Ended		52 Weeks Ended	
	November 28, 2020	November 30, 2019	November 28, 2020	November 30, 2019
Income before income taxes and income from equity method investments	\$ 58,065	\$ 40,580	\$ 158,356	\$ 172,828
Adjustments:				
Acquisition project costs	1,082	63	(502)	2,703
Organizational realignment	5,685	9,280	13,971	10,168
Royal restructuring and integration	2,051	2,327	9,430	713
Tax reform	-	106	(35)	180
Project One	1,260	1,293	5,402	5,275
Other	(264)	741	1,459	1,867
Adjusted income before income taxes and income from equity method investments ⁵	\$ 67,879	\$ 54,390	\$ 188,081	\$ 193,734

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

	13 Weeks Ended		52 Weeks Ended	
	November 28, 2020	November 30, 2019	November 28, 2020	November 30, 2019
Income Taxes	\$ (19,727)	\$ (10,506)	\$ (41,921)	\$ (49,408)
Adjustments:				
Acquisition project costs	(82)	(17)	340	(500)
Organizational realignment	(435)	(2,746)	(2,522)	(2,521)
Royal restructuring and integration	(157)	(371)	(2,034)	74
Tax reform	-	(29)	9	(49)
Project One	(95)	(356)	(1,138)	(1,159)
Other ²	6,374	3,779	810	6,098
Adjusted income taxes ⁶	<u>\$ (14,122)</u>	<u>\$ (10,246)</u>	<u>\$ (46,456)</u>	<u>\$ (47,465)</u>
Adjusted income before income taxes and income from equity method investments	\$ 67,879	\$ 54,390	\$ 188,081	\$ 193,734
Adjusted effective income tax rate ⁶	20.8%	18.8%	24.7%	24.5%

² Primarily related to discrete tax expense in the quarter ended November 28, 2020 associated with various foreign tax matters and audit settlements. The full year amount includes discrete tax expense related to various foreign matters and audit settlements partially offset by discrete tax benefit related to the revaluation of cross-currency swap agreements due to appreciation of the Euro versus US 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

	13 Weeks Ended		52 Weeks Ended	
	November 28, 2020	November 30, 2019	November 28, 2020	November 30, 2019
Net revenue	777,640	739,106	2,790,269	2,897,000
Gross profit	\$ 213,642	\$ 201,217	\$ 756,649	\$ 806,922
Gross profit margin	27.5%	27.2%	27.1%	27.9%
Adjustments:				
Acquisition project costs	85	-	85	-
Organizational realignment	219	506	166	381
Royal restructuring and integration	953	2,065	3,682	6,316
Other	(821)	199	443	191
Adjusted gross profit ⁷	<u>\$ 214,078</u>	<u>\$ 203,987</u>	<u>\$ 761,025</u>	<u>\$ 813,810</u>
Adjusted gross profit margin ⁷	27.5%	27.6%	27.3%	28.1%

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

	13 Weeks Ended		52 Weeks Ended	
	November 28, 2020	November 30, 2019	November 28, 2020	November 30, 2019
Selling, general and administrative expenses	\$ (139,712)	\$ (148,521)	\$ (538,332)	\$ (580,928)
Adjustments:				
Acquisition project costs	997	63	(587)	2,703
Organizational realignment	5,466	8,746	13,809	13,300
Royal restructuring and integration	1,125	4,551	5,851	15,296
Tax reform	-	105	(35)	180
Project ONE	1,260	1,293	5,402	5,275
Other	(1,682)	363	(1,222)	1,497
Adjusted selling, general and administrative expenses ⁸	<u>\$ (132,546)</u>	<u>\$ (133,400)</u>	<u>\$ (515,114)</u>	<u>\$ (542,677)</u>

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 – Q4'20 Segment EBITDA Reconciliation

13 Weeks Ended: November 28, 2020	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Net income attributable to H.B. Fuller	\$ 43,140	\$ 40,046	\$ 2,894	\$ 86,080	\$ (45,476)	\$ 40,604
Adjustments:						
Acquisition project costs	-	-	-	-	999	999
Organizational realignment	-	-	-	-	5,250	5,250
Royal Restructuring	-	-	-	-	1,894	1,894
Project One	-	-	-	-	1,165	1,165
Other	-	-	-	-	6,110	6,110
Adjusted net income attributable to H.B. Fuller ³	43,140	40,046	2,894	86,080	(30,058)	56,022
Add:						
Interest expense	-	-	-	-	19,969	19,969
Interest income	-	-	-	-	(2,656)	(2,656)
Income taxes	-	-	-	-	14,122	14,122
Depreciation and amortization expense	11,393	14,951	8,905	35,249	-	35,249
Adjusted EBITDA ³	<u>\$ 54,533</u>	<u>\$ 54,997</u>	<u>\$ 11,799</u>	<u>\$ 121,329</u>	<u>\$ 1,377</u>	<u>\$ 122,706</u>
Revenue	355,413	327,273	94,954	777,640	-	777,640
Adjusted EBITDA Margin ³	15.3%	16.8%	12.4%	15.6%	NMP	15.8%

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



Regulation G – FY 2020 Segment EBITDA Reconciliation

52 Weeks Ended: November 28, 2020	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Net income attributable to H.B. Fuller	\$ 138,119	\$ 109,813	\$ 15,881	\$ 263,813	\$ (140,094)	\$ 123,719
Adjustments:						
Acquisition project costs	-	-	-	-	(162)	(162)
Organizational realignment	-	-	-	-	11,449	11,449
Royal Restructuring	-	-	-	-	7,396	7,396
Tax reform	-	-	-	-	(26)	(26)
Project One	-	-	-	-	4,265	4,265
Other	-	-	-	-	2,268	2,268
Adjusted net income attributable to H.B. Fuller ³	138,119	109,813	15,881	263,813	(114,904)	148,909
Add:						
Interest expense	-	-	-	-	84,619	84,619
Interest income	-	-	-	-	(11,417)	(11,417)
Income taxes	-	-	-	-	46,456	46,456
Depreciation and amortization expense	44,329	58,102	35,811	138,242	-	138,242
Adjusted EBITDA ³	<u>\$ 182,448</u>	<u>\$ 167,915</u>	<u>\$ 51,692</u>	<u>\$ 402,055</u>	<u>\$ 4,754</u>	<u>\$ 406,809</u>
Revenue	1,332,786	1,088,313	369,170	2,790,269	-	2,790,269
Adjusted EBITDA Margin ³	13.7%	15.4%	14.0%	14.4%	NMP	14.6%

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 – Q4'19 Segment EBITDA Reconciliation

13 Weeks Ended: November 30, 2019	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Net income attributable to H.B. Fuller	\$ 31,670	\$ 39,202	\$ 3,435	\$ 74,307	\$ (42,093)	\$ 32,214
Adjustments:						
Acquisition project costs	-	-	-	-	45	45
Organizational realignment	-	-	-	-	6,535	6,535
Royal Restructuring	-	-	-	-	1,957	1,957
Tax reform	-	-	-	-	76	76
Project One	-	-	-	-	937	937
Other	-	-	-	-	4,520	4,520
Adjusted net income attributable to H.B. Fuller ³	31,670	39,202	3,435	74,307	(28,023)	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	11,315	14,130	8,894	34,339	363	34,702
Adjusted EBITDA ³	<u>\$ 42,985</u>	<u>\$ 53,332</u>	<u>\$ 12,329</u>	<u>\$ 108,646</u>	<u>\$ 3,532</u>	<u>\$ 112,178</u>
Revenue	342,120	303,393	93,593	739,106	-	739,106
Adjusted EBITDA Margin ³	12.6%	17.6%	13.2%	14.7%	NMP	15.2%

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-meaningful percentage



Regulation G – FY 2019 Segment EBITDA Reconciliation

52 Weeks Ended: November 30, 2019	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Net income attributable to H.B. Fuller	\$ 121,237	\$ 140,678	\$ 20,663	\$ 282,578	\$ (151,761)	\$ 130,817
Adjustments:						
Acquisition project costs	-	-	-	-	2,204	2,204
Organizational realignment	-	-	-	-	7,647	7,647
Royal Restructuring	-	-	-	-	787	787
Tax reform	-	-	-	-	132	132
Project One	-	-	-	-	4,115	4,115
Other	-	-	-	-	7,964	7,964
Adjusted net income attributable to H.B. Fuller ³	121,237	140,678	20,663	282,578	(128,912)	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	45,448	57,175	35,851	138,474	1,631	140,105
Adjusted EBITDA ³	<u>\$ 166,685</u>	<u>\$ 197,853</u>	<u>\$ 56,514</u>	<u>\$ 421,052</u>	<u>\$ 11,293</u>	<u>\$ 432,345</u>
Revenue	1,328,286	1,158,403	396,580	2,883,269	13,731	2,897,000
Adjusted EBITDA Margin ³	12.5%	17.1%	14.3%	14.6%	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-meaningful percentage



Revenue Performance Components

	13 Weeks Ended November 28, 2020	52 Weeks Ended
Price	(0.3%)	(0.6%)
Volume	5.0%	(1.0%)
Organic Growth (Decline)	4.7%	(1.6%)
M&A	0.0%	(0.5%)
F/X	0.5%	(1.6%)
Total H.B. Fuller Net Revenue Growth (Decline)	5.2%	(3.7%)

	13 Weeks Ended November 28, 2020			52 Weeks Ended November 28, 2020		
	Net Revenue	F/X	Organic Growth (Decline)	Net Revenue	F/X	Organic Growth (Decline)
Hygiene, Health and Consumable Adhesives	3.9%	(1.1%)	5.0%	0.3%	(3.0%)	3.3%
Engineering Adhesives	7.9%	2.3%	5.6%	(6.1%)	(0.6%)	(5.5%)
Construction Adhesives	1.5%	0.7%	0.8%	(6.9%)	(0.2%)	(6.7%)
Unallocated	NMP	0.0%	0.0%	NMP	0.0%	0.0%
Total H.B. Fuller	5.2%	0.5%	4.7%	(3.7%)	(1.6%)	(1.6%)

NMP = non-meaningful percentage



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