

Good morning. My name is Colby and I will be your conference operator today. At this time, I would like to welcome everyone to the H.B. Fuller Q1 2023 Earnings Conference Call. [Operator Instructions] Thank you. I will now turn the call over to Steven Brazones. You may begin.

Steven Brazones

Thank you, operator. Welcome to H.B. Fuller's first quarter 2023 investor conference call. Presenting today are Celeste Mastin, President and Chief Executive Officer and John Corkrean, Executive Vice President and Chief Financial Officer. After our prepared remarks, we will have a question-and-answer session.

Before we begin, let me remind everyone that our comments today will include references to certain non-GAAP financial measures. These measures are supplemental to the results determined in accordance with GAAP. We believe that these measures are useful to investors in understanding our operating performance and to compare our performance with other companies. Reconciliation of non-GAAP measures to the nearest GAAP measures are included in our earnings release.

Unless otherwise noted, comments about revenue refer to organic revenue and comments about EPS, EBITDA and profit margins refer to adjusted non-GAAP measures. We will also be making forward-looking statements during this call. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially from these expectations due to factors covered in our earnings release, comments made during this call and the risk factors detailed in our filings with the Securities and Exchange Commission, all of which are available on our website at investors.hbfuller.com.

I will now turn the call over to Celeste Mastin. Celeste?

Celeste Mastin

Thank you, Steven, and welcome, everyone. In the first quarter of fiscal year 2023, the team executed exceptionally well to deliver solid first quarter results that were in line with our expectations despite challenging demand conditions, particularly in Construction Adhesives. The diversification of our portfolio enabled us to deliver stable organic sales. Even with these challenges, and diligent management of price and raw material dynamics drove significant gross margin improvement both year-on-year and sequentially. Overall, this resulted in a solid adjusted EBITDA performance and led to higher adjusted EBITDA margin year-over-year.

Looking at our consolidated results in the first quarter, organic revenue was significantly impacted by continued demand weakness affecting Construction Adhesives. CA experienced significant customer destocking impacts which began in the fourth quarter of last year and continued in the first quarter of this year. It is uncertain when and how significant a restocking event will be. However, the benefits of the company's geographic and end market diversification offset a significant portion of CA's declines and led to stable, consolidated, organic sales year-on-year. This was driven by Hygiene,

Health and Consumable Adhesives and Engineering Adhesives, which, on a combined basis, continued to generate positive organic growth in the first quarter and significant margin expansion. These GBUs continue to outperform the market by leveraging innovation-based market share gains to expand existing customer relationships and generate new business wins.

From a profitability perspective, we performed at the high-end of our guidance, and we continue to be very encouraged by the team's disciplined approach to optimizing price and raw material cost developments to expand margins. On a year-over-year basis, adjusted EBITDA was stable in the first quarter, and adjusted EBITDA margin increased 40 basis points to 13.6%. On a constant currency basis, adjusted EBITDA was up approximately 6% year-on-year. Given the strength of the comparable Construction Adhesives' quarter in fiscal 2022, this demonstrates the power in our portfolio to overcome down cycles in any of the 30 market segments we served.

Overall, global economic conditions are slow, but aside from what we have seen in CA largely in line with our projections. We expect a mild global recession in 2023, which will adversely impact economic activity. While we are well positioned to grow EBITDA in such a scenario, we are proactively initiating a restructuring plan focused on reducing costs across the enterprise and particularly in Construction Adhesives. This restructuring will better align our cost structure with the current economic outlook. These actions are enabled by process efficiencies that were highlighted during our last Investor Day and are also consistent with our longer-term strategic objectives of improving our gross profit and EBITDA margins and increasing our ROIC.

The restructuring is focused on both reducing manufacturing costs and SG&A. When completed, we expect these actions to deliver annualized cost savings of between \$30 million and \$35 million, including approximately \$10 million this year. From a raw material perspective, while costs are still higher year-over-year, the rate of inflation continued to slow during the first quarter, consistent with our expectations. We are on track to deliver between \$130 million to \$160 million in net benefit from price and raw material cost management as evidenced by the strong expansion in gross margin we achieved in the first quarter.

Offsetting this benefit somewhat will be approximately \$80 million of headwinds from lower volume and wage and other inflationary pressures. We continue to appropriately manage pricing in this dynamic raw material cost environment. As we indicated previously, we purchased approximately 4,000 different raw materials and the cost movements of these are not synchronous. Most are stable sequentially, some are decreasing, yet a meaningful portion are still increasing. This requires continued comprehensive pricing execution, which we continue to demonstrate.

Now let me move on to review the performance in each of our segments in the first quarter. In HHC, organic revenue was up 4.5% year-on-year. This was a particularly strong result given the current economic backdrop and a difficult year-on-year comparison where organic sales increased 21% in the first quarter of last year. Strength in hygiene, packaging, tissue and towel, graphic arts and health and beauty markets

continued in the first quarter of the year. HHC's responsible management of pricing dynamics offset lower volume and drove organic revenue growth in the quarter. Adjusted EBITDA for HHC increased 28% year-on-year, and adjusted EBITDA margin increased 360 basis points to 15.6%, driven by favorable price and raw material cost management.

In Engineering Adhesives, organic revenue declined slightly in the first quarter impacted by continued weakness in China as well as some destocking and somewhat slower demand in durable goods and products used in the construction trades as expected. This more than offset strong growth in automotive and aerospace markets. Adjusted EBITDA was flat in EA, and adjusted EBITDA margin increased 90 basis points year-on-year to 15%. Here too, favorable price and raw material cost management drove the increase in adjusted EBITDA margin year-on-year.

In Construction Adhesives, organic sales significantly declined year-on-year. As expected, the substantial customer destocking actions that began in the fourth quarter of last year continued in the first quarter of this year and considerably impacted organic sales. CA also had a very challenging year-on-year comparison due to the prior year's first quarter benefiting greatly from the post-COVID demand surge in construction markets. The roofing market segment continues to be hardest hit by customer destocking actions and drove most of the decline in organic revenue for CA.

Adjusted EBITDA for Construction Adhesives was severely impacted by lower volume and negative operating leverage in the first quarter. The restructuring actions that I referenced earlier are heavily weighted to CA and will lower the cost structure of the business and allow for significant margin expansion as volume trends return to more normal levels.

Geographically, Americas organic growth was down 4% year-on-year, significantly impacted by the decline in Construction Adhesives. Organic growth, excluding CA, was up low single digits in the Americas in the first quarter led by HHC. In EMEA, organic revenue increased 5% versus the first quarter of last year. Both HHC and EA generated very solid organic growth, given the economic backdrop, up mid-single digits on a combined basis. In Asia-Pacific, organic revenues decreased 8% year-on-year. Although China ended their stringent COVID-related restrictions in January, spiking infection rates during the first quarter delayed a rebound in economic activity and adversely impacted demand. This was consistent with our expectations.

Now let me turn the call over to John Corkrean to review our first quarter results in more detail and our outlook for 2023.

John Corkrean

Thanks, Celeste. I'll begin on Slide 8 with some additional financial details on the first quarter. For the first quarter, revenue was down 5.5% versus the same period last year. Currency had a negative impact of 4.9%, and acquisitions increased revenue growth by 1.9%. Adjusting for these items, organic revenue was down 2.5% with pricing having a

favorable impact of 8.3% year-on-year in the quarter and volume down 10.8% reflecting a continuation in significant customer destocking in Construction Adhesives and a general slowdown in end market demand.

Adjusted gross profit margin was 26.9%, up 190 basis points versus last year, as the net effect of pricing and raw material cost developments more than offset the impact of lower volume. Adjusted selling, general and administrative expense was up approximately 3% year-on-year, as higher wage inflation was offset by good cost management and the favorable impact of exchange.

Adjusted EBITDA for the quarter of \$110 million was at the top end of our expected range, but down slightly year-on-year, reflecting the favorable impact of pricing and raw material development being more than offset by lower volume, higher wage inflation and unfavorable foreign currency translation.

On a constant currency basis, adjusted EBITDA for the quarter was up approximately 6% year-on-year. Adjusted earnings per share of \$0.55, was down versus the first quarter of 2022 as expected, driven by lower volume, unfavorable foreign currency and significantly higher interest rates. Higher interest expense and unfavorable foreign exchange negatively impacted adjusted EPS in the first quarter by approximately \$0.17 and \$0.11, respectively. Adjusting for the impact of currency and higher interest expense, adjusted EPS in the quarter was up about 6% year-on-year. Operating cash flow in the quarter improved year-on-year, as improving margins and slightly lower working capital requirements more than offset lower volume, higher interest expense and unfavorable foreign currency translation.

With that, let me now turn to our guidance for the 2023 fiscal year. Our guidance for the year is largely unchanged. We now expect full year net revenue to be down 1% to 4% versus 2022 and for organic revenue to be in the range of down 1% to up 1%. This reflects lower-than-expected volume for Construction Adhesives in the first quarter as well as slightly weaker economic demand for the full year.

Foreign currency translation is now expected to negatively impact revenue by 1% to 2% versus 2022. We continue to expect adjusted EBITDA to be between \$580 million and \$610 million, representing a 9% to 15% year-on-year increase, up 11% to 17% adjusting for the extra week in 2022. This reflects the slightly lower organic revenue expectations, offset by savings associated with our restructuring initiatives and a slightly improved foreign currency outlook. Combined, these assumptions result in full year adjusted earnings per share in the range of \$4.10 to \$4.50. We continue to expect full year operating cash flow to be between \$300 million and \$350 million weighted toward the second half of the year.

Finally, based on the seasonality of our business and the timing of pricing and raw material development over the course of the year, we would expect to realize about 42% to 43% of full year EBITDA in the first half of the year.

Now let me turn the call back over to Celeste to wrap this up.

Celeste Mastin

Thank you, John. I am extremely proud of the performance and execution of our team in the current challenging environment. It is a reflection of our strong entrepreneurial culture, which is a strategic differentiator for H.B. Fuller that not only drives financial performance, but also inspires and aligns us around a greater purpose.

I would like to highlight a few external accolades that our team has recently received. First, at the end of 2022, Investor's Business Daily named H.B. Fuller to their list of 100 Best ESG Companies for 2022. IBD evaluated over 6,000 companies globally to select those that remain committed to sustainable and ethical business practices while still exceeding profitability and return on investment goals. H.B. Fuller was ranked number 57 on IBD's Top 100 List.

We are committed to maintaining a safe and respectful work environment for our team members, improving the communities where we live and work, supporting our customers and achieving their sustainability goals through innovation and reducing our own environmental footprint. We are very proud to have been recognized by IBD for our accomplishments and exceptionally proud of our team members for their commitment to our culture and pursuit of winning the right way.

Second, at the beginning of this year, Forbes named H.B. Fuller to their list of 500 Best Midsized Employers for 2023. The ranking is based on a survey of 45,000 American workers at companies and institutions with 1,000 to 5,000 U.S. based employees. Participants surveyed were asked how strongly they would recommend their current employer to friends and family and to cite any other employer they would also recommend. H.B. Fuller was ranked number 61 on Forbes Top 500 List. I am quite proud of our team members' collective accomplishments as they embody our winning culture, and I want to thank them for their commitment to making H.B. Fuller a great company and a great place to work.

Now as I conclude my prepared remarks, I would like to provide an overall perspective. 2023 started largely as we had expected, and we are performing very well in line with our guidance. Our anticipation of slowing macroeconomic conditions, including weakness in China and challenging end market demand in construction, drove us to prepare for the challenges we are encountering. Consequently, we remain confident we will achieve our full year financial objectives. We are realizing gross margin expansion according to our expectations, driven by our commitment to balance raw material movement and pricing actions. We expect this benefit to accelerate as we progress throughout the year, which, coupled with the restructuring actions we are taking, will further expand adjusted EBITDA margin and ROIC in the quarters ahead.

That concludes our prepared remarks for today. Operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Ghansham Panjabi from Baird. Your line is open.

Ghansham Panjabi

Thank you. Good morning, everybody.

John Corkrean

Hi, Ghansham.

Celeste Mastin

Good morning, Ghansham.

Ghansham Panjabi

Good morning, Celeste and John. I guess, first off on the CA segment. I know you mentioned that roofing was particularly weak and volumes were pressured by continued destocking. But how would you assess actual end market demand across your various verticals if you adjust for destocking? Maybe you could just kind of zoom out on that segment, just give us a sense as to how much is commercial versus residential, new versus maintenance? And then also, could you give us a sense as to what you saw in March and also your order book for April?

Celeste Mastin

Sure, Ghansham. So when you look at our construction business, let's just start there. A very small portion of our construction business is residential in nature. Mostly we participate in the commercial construction part of the business. And certainly, our construction business continues to feel the effects of destocking. However, really, we're not seeing anything that's catalyzing market demand either. And so as we look at that business, we decided to take action to implement this restructuring plan because we really want to be prepared – we wanted to prepare our cost structure for lower volume demand throughout the year, and that is reflected in our guidance.

Ghansham Panjabi

And what you're seeing in March for the segment?

Celeste Mastin

Yes. We're still seeing some destocking underway, but the sentiment is improving, and we're seeing a few more indications that we're going to have some kind of construction season – market this season. We're still trying to determine to what level.

Ghansham Panjabi

Okay. Got it. And then for my second question, obviously, margin expansion is a big variable that's underpinning the EBITDA improvement. And I know you laid out a pretty significant price/cost number for 2023. Are you also saying that raw material is a dynamic, the end markets are a little bit weaker. So I guess what gives you confidence in achieving the price/cost number? Because it just – unless you disagree, I mean, it seems logical that as end markets get weaker, pushing pricing through incrementally is going to get a little bit more challenging.

Celeste Mastin

Yes. So as you saw, our gross margin expanded in line with our expectations, about 190 basis points. From a raw material perspective, in Q1, we did see some easing versus Q4. Of the 4,000 items we monitor a significant number of those were still up or flat. And the vast – a significant number were still up. And when you look at prior year, almost all of them are still up versus prior year. Now we're starting to see some plateauing if you look at March versus February. And the teams have done really a great job managing price. They have got a lot of tools, dedicated resources to help them, confident raw materials start to move in our direction, although that has been slow. And we remain very confident in achieving the \$130 million to \$160 million benefit that I shared with you last quarter.

John Corkrean

And Ghansham maybe I'll just add – yes, I'll just add to that a little bit because you had asked about the – what would it take to deliver the \$130 million to \$160 million and how difficult additional pricing will be? I think the majority of the pricing contribution will be the carryover we had from 2022, and you saw in the first quarter that, that number delivered about \$70 million of year-on-year P&L benefit. Now raw materials were actually still up year-on-year in Q1. But we would expect over the rest of this year, the majority of the benefit will come from the carryover pricing. And that as raws ease that year-on-year negative impact will reverse. So I think that's what gives us confidence as most of the actions, if not all the actions we need from a pricing standpoint, we've already executed, and we are seeing raw materials start to ease.

Ghansham Panjabi

Great. Thank you.

Celeste Mastin

I think on top of that, we should speak to the topic of innovation, right? Because if you – if we're really talking about pricing power, a lot of pricing power that we derived is based on being a valuable contributor to our customers and enabling them to achieve their objectives. And we are being rewarded in the market for that, and we will continue to be.

Ghansham Panjabi

Okay, thank you.

Operator

Your next question comes from the line of Vincent Anderson from Stifel. Your line is open.

Vincent Anderson

Yes. Thanks, and good morning, everyone.

Celeste Mastin

Hi, Vincent.

Vincent Anderson

Hi, so for you, Celeste, if a large majority of your restructuring savings are going to be in Construction Adhesives, I think that would amount to comfortably north of a 30% increase in run rate EBITDA. So I guess, just simply, how are you getting there?

Celeste Mastin

Yes. So a couple of ways. Now when we introduced the restructuring plan, it was largely driven by the need to restructure our CA business and about 40% of the benefits of the plan will be obvious in that business. But that's not the only focus on the restructuring. We also felt like we needed to adjust to recessionary volumes in our other business units. So as a consequence of the activity, we are closing one plant in North America for our construction business, and we're also exiting our facility in Argentina. So of the \$30 million to \$35 million of restructuring benefits, about two-thirds of those will be related to cost of sales and the remainder will be associated with SG&A.

Vincent Anderson

Okay. That's helpful. And you kind of answered the next question already. So you're rationalizing one asset in North America, how do you feel about your capacity in the U.S. overall, especially with kind of the pace of new business wins? And is any part of this restructuring may be in preparation for maybe further investment in your North American footprint?

Celeste Mastin

Yes, so we fundamentally believe it's important to have facilities close to our customers. Now we also have been reassessing our overall manufacturing network. We're looking at capacity by plant, by line, by technology to really determine what is the right amount of capacity for us to have in place not just now, but 5 years from now. And I do anticipate there is going to be more moving pieces to that as we continue to dig in further.

Vincent Anderson

Alright. I guess, we will stay tuned on that. And then just one more quick one, well, maybe quick. Going back to your dollar margin expansion. I mean a lot of the confidence in that, you spoke to it already, but in prior conversations, was your ability to maintain a similar margin on a lower cost alternative to your customers. What has been the cadence so far with customers this year throughout this destocking in terms of – are any of them actually trading down to those lower-cost products or are they just kind of comfortable accepting the price increases knowing that H.B. Fuller can supply them a lower cost alternative if they choose to switch down the road?

Celeste Mastin

We're early on in that journey, I believe. We have introduced some lower cost alternatives, certainly to some customers where we're needed. But the majority of our R&D activity right now is focused on innovation and bringing new technology. And that's really more where I'm seeing – where we're seeing the wins. We've introduced new products in our automotive market. For example, we just introduced some new interior trim applications for ambient lighting, liftgate applications that are going to be introduced on six new vehicle models over the next 2 years by a notable OEM. And so our teams are prepared and have products using alternate raw materials available and lower cost raw materials available, but it has not been as much of a pull from customers as some of these exciting new products that we have been able to introduce to help them further their business and establish differentiation themselves during such a challenging time.

Vincent Anderson

Excellent. Thank you, I will turn it over.

Operator

Your next question comes from the line of David Begleiter from Deutsche. Your line is open.

David Begleiter

Thank you. Celeste, can you discuss March trends in both HHC and EA as well as any visibility you have on April order books?

Celeste Mastin

Absolutely, David. So in HHC, we continue to see strong performance in the business. There is destocking still underway interestingly enough, especially by CPG companies. But we are finding that we were able to overcome that with pricing power associated with bringing value to the customer base. And I am seeing that established really two ways. One, through reliability, we performed well throughout the pandemic, and we are able to supply our customers even during challenging times, times when it was difficult to get material. But also, innovation is a big part of what our HHC team is delivering to that customer base. And we are seeing the wins start to pile up. I will give you an example, David. I love this example because it's about our tissue and towel business.

So, that's toilet paper, right, so really a fairly basic water-based product. However, our new market segment leader, Adam, who is running that business, and his team have taken steps to bring innovation to the market by introducing our full-vision technology which is proprietary software of our own that provides our customers with data analytics that help them run their lines more efficiently. And it allows the customers to reduce waste, apply less adhesive, saves them money. It's very – it's more sustainable in nature. And so we are seeing wins in even this, not very expletive business because of the innovation we are bringing. And it's just like the momentum is wonderful. So, we are starting – that's what we continue to see in Q2 and what the team has been consistently bringing over the last 12 months that I have been here. You asked about EA as well. Now, we have to keep in mind here that EA does get impacted by the construction industry to some degree. There are some – some of our product – some of our market segments there like woodworking or insulated glass are influenced by market demand and that business is also heavily influenced by China. In fact, if you look at the EA business, excluding China over the last quarter, it would be up low-single digits, flat to up. So, China is having a big influence on the EA business and that will continue to be the case. Remember, we have guided first half, China would be sluggish. That's going to be the case and is the case as we look at Q2. And there is some influence on as associated with the construction market, depending on how that evolves, there will be a little bit of a hangover in EA as well.

David Begleiter

Very good. And just on the restructuring, the non-construction savings, I guess in HHC and EA, Are there additional plant closures you are targeting in those two segments?

Celeste Mastin

Well, again, back to my response on the previous questions, we are evaluating our manufacturing network. We are looking at capacity plant-by-plant, technology-by-technology, line-by-line with not just now, but 5 years from now in mind. And as we complete that assessment, there is the possibility, certainly, that we will end up shutting other plants.

David Begleiter

So, just to be clear on the \$30 million to \$35 million, there are no other plants to be closed...?

Celeste Mastin

Just the two I mentioned.

David Begleiter

Right. Okay. Thank you very much.

Celeste Mastin

Thanks David.

Operator

Your next question comes from the line of Jeff Zakauskas from JPMorgan. Your line is open.

Lydia Huang

Hi. This is Lydia Huang on for Jeff. How much is allocated to employee severance this year, and also if you could share the number for the first quarter as well? Thank you.

John Corkrean

Sure, Lydia. So, I think of the total expected impact of \$15 million to \$20 million, I think it's going to hit the P&L about the same timing as savings. So, I would expect Lydia, that maybe we will see a third of that to maybe a little less than a half in 2023. And the amount that hit the first – in the first quarter was just above – between \$2.5 million and \$3 million.

Lydia Huang

Thank you.

Operator

Our next question comes from the line of Mike Harrison from Seaport Research Partners. Your line is open.

Mike Harrison

Hi. Good morning.

John Corkrean

Hi Mike.

Mike Harrison

Wanted to ask about the HHC business, the margin performance there was the best that we have seen in at least a few years. Could you help us understand some of the key drivers of the margin strength there? And do you expect that to be sustainable as we go through the rest of the year?

Celeste Mastin

Hey Mike. Yes. So, the strength in that organic growth number for HHC was pricing. And again, that goes back to my comments about how really we are being rewarded for bringing reliability and innovation to that customer base.

Mike Harrison

I guess in – more in terms of the margin is what I was asking about.

Celeste Mastin

The EBITDA margin, Mike?

Mike Harrison

Yes.

Celeste Mastin

Yes. So again, as we – we are driving that margin through the top line. And I feel that the business has the momentum it needs to continue to bring that kind of innovation that is getting rewarded. Sustainability is definitely a trend in that space that is enabling us to bring new products, modify products and help our customers achieve more sustainable products. Now, as we continue to look at the overall P&L, we do realize we need to get some more operating leverage down through to EBITDA margin and some of the restructuring works that we are doing is going to enable us to build on that success.

John Corkrean

Yes. Just to add a little color, Mike, it's really pricing driven. If you look across the P&L, it's not a function of mix or lower costs, it's really the pricing actions that we took last year.

Mike Harrison

Alright. Perfect. And then, I guess just in terms of the construction adhesives business, if you can help at all on what that earnings cadence should look like? I think for most of us, Q1 came in a little bit weaker than what we were expecting. But obviously, it's steeply seasonal business. You have also got some destocking that hopefully runs its course at some point and maybe some improvement in price/cost and then restructuring coming in as we get later in the year. So, maybe just help us out a little bit on how we should be thinking about the earnings cadence in the CA business?

John Corkrean

Sure. I will start, Mike and then I will let Celeste add some commentary. I think that you are going to see kind of similar margins in the second quarter and then start to improve and we get in the third quarter and the fourth quarter. Margins will improve in part based on the seasonality of that business. So, the first quarter is always our lowest volume quarter. It's exacerbated by destocking. As we get into Q2, you should see that improve with higher volume related to the seasonality of the business. I don't think – it won't really be until the second half of the year that you will start to see, I think the restructuring actions have a meaningful impact. But I think we would like to see this

business getting back to sort of the mid-teens type of margins by the end of the year, by fourth quarter. And with the actions we are taking, roughly 40% of the savings go into construction adhesives, that would imply that as we return to more normal volume levels, this is a business it gets up into the high-teens from an EBITDA margin standpoint.

Celeste Mastin

And again, Mike, as we look at that construction adhesives business, we – it's a small business for us. We are still growing it, and we are growing it very selectively. We target high EBITDA margin applications. We don't want to be in every construction adhesive. We want to be in select areas where we know that we can achieve those higher EBITDA margins. So, it is an innovation-driven space, and that is the part of the market that we are focusing on. So, I agree with what John said. And I would also add that the plant closure benefit will be mostly felt in 2024. And so I agree with his cadence on 2023. You are just – we are not done at the end of 2023 with improving that EBITDA margin.

Mike Harrison

Perfect. And then just a quick one. The cash flow statement shows that you spent about \$17 million on an acquisition in the quarter or on acquisitions in the quarter. What did you buy? And maybe talk a little bit about how much additional M&A activity we might expect in the rest of the year?

Celeste Mastin

Yes. We bought two small companies in the quarter. One was a company called Lemtapes in Finland. Lemtapes fits with our coating systems – our adhesive coating systems business. So basically, kind of specialty tapes for packaging applications. We have got a strong position in that business here in the United States. It's a high-margin product line and Lemtapes in Finland expands our business for us into Europe. So, that was one of the two acquisitions we did. The second one was a company called Aspen Research, which is located fairly near our headquarters here in Saint Paul. They have unique production capability that we really like, benefits our insulated glass business, which as you know, we really want to grow. And I think we will bring some production-based technology more continuous flow that we can deploy to other technologies in the company and around our footprint. So, that's what we bought. Now when you look at our objective as it relates to M&A, even I have spoken about the growth roadmap that I developed with the team to identify our highest margin, most strategic opportunities to grow the business. And clearly, while some of those we will tackle organically, some of them will be best served by doing an acquisition. We are in process of building a pipeline of what I will call proprietary, smaller acquisitions that are targeted to those opportunities and allow us to fill those needs. So, you should be expecting us to do, call it, kind of four or five little acquisitions a year, probably ranging in purchase price from \$10 million to \$100 million kind of – more like about \$40 million on average.

Mike Harrison

Perfect. Thanks very much.

Celeste Mastin

Yes. I think the one other thing I would add about that strategy, Mike, is that we are acquiring these companies at post-synergy multiples that are less than our trading multiple and often on a post-synergy basis, less than our leverage ratio. So, that's what you will see more of.

Mike Harrison

Alright. Thank you.

Operator

[Operator Instructions] There are no further questions at this time. I will now turn the call back over to Celeste Mastin for any closing remarks.

Celeste Mastin

Thanks everyone for joining the call today. We appreciate your questions and your support. Have a great day.

Operator

This concludes today's conference call. You may now disconnect.