



®

H.B. Fuller

Third Quarter 2023 Conference Call

September 28th, 2023



Disclosure

Safe Harbor Statement

Certain matters discussed today may be considered forward-looking statements within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements reflect our current expectations, and 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 in this presentation regarding adjusted gross profit and margin, adjusted selling, general and administrative expense, adjusted income before income taxes and income from equity investments, adjusted income taxes, adjusted effective tax rate, adjusted net income, adjusted diluted earnings per share and adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) does not conform to U.S. generally accepted accounting principles (U.S. GAAP) and should not be construed as an alternative to the reported results determined in accordance with U.S. 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 to the results of other companies. The non-GAAP information provided may not be consistent with the methodologies used by other companies. All non-GAAP information is reconciled with reported U.S. GAAP results in the "Regulation G Reconciliation" tables except for our forward-looking non-U.S. GAAP measures contained in our fiscal 2022 financial guidance, which the company cannot reconcile to forward-looking U.S. GAAP results without unreasonable effort.

Additional Information

Please refer to our annual report on Form 10-K, filed with the SEC, and available on our website at www.investors.hbfuller.com.



Third Quarter Highlights

Adjusted Gross Margin

Up 350 bps YOY
Up 100 bps Sequentially

Adjusted EBITDA Margin

Up 270 bps YOY
Up 140 bps Sequentially

Operating Cash Flow

Up \$50M YOY

- Third quarter EBITDA margin expansion was particularly strong, continuing trend
- Achieved double-digit percentage growth in adjusted EBITDA despite short-term volume challenges
- Customer destocking actions, particularly in HHC, impacted organic growth, leading to volume declines in excess of underlying economic demand
- Cash flow from operations was \$108M, up \$50M YOY, reflecting improving margins and working capital requirements

Global Business Unit Update

Health, Hygiene, and Consumable Adhesives



- Organic revenue down 10.5%
- Adjusted EBITDA margin increased 270 basis points to 17.2%
- Unprecedented channel inventory destocking accounted for most of the decline in organic growth
- Favorable price, raw material cost management, and restructuring benefits drove EBITDA improvement YOY

Engineering Adhesives



- Organic revenue declined 3.3%
- Adjusted EBITDA margin increased 450 basis points to 19.3%
- Lower volume in the construction related markets offset organic growth in automotive, electronics, and solar market segments
- Improvement in profitability driven by favorable price, raw material actions, and aggressive expense management

Construction Adhesives



- Organic revenue declined 9.4%
- Adjusted EBITDA margin effectively flat year-on-year
- Destocking activity continued to taper as expected and is largely complete
- Restructuring actions position CA to deliver sustainably strong adjusted EBITDA margins throughout the cycle





Regional Perspective

Americas

- Organic revenue decreased 13% YOY
- Customer destocking in HHC were notably outsized in North America relative to the rest of the world

EIMEA

- Organic revenue decreased 6% YOY
- Driven by weaker demand in packaging and construction related market segments

Asia-Pacific

- Organic revenue increased 7% YOY
- Organic sales trend continued to improve, as expected, due to strength in the automotive, electronics, and hygiene market segments

Strategic M&A Update

SANGLIER LTD.



Independently owned manufacturer and filler of sprayable industrial adhesives

- Expands innovation capabilities and product portfolio across the UK and Europe
- Transforming adhesive applications to enable sprayable delivery provides end users with an opportunity to greatly improve labor efficiency

BEARDOW ADAMS™
Unique Adhesives

Restructuring actions are expected to result in on-going annualized cost savings of approximately \$20M dollars on a pre-tax basis

- Incremental to restructuring actions announced in the first quarter
- Represents a significant portion of the fiscal 2025 EBITDA contribution from the 2023 collection of acquisitions



Performance is exceeding expectations

- Business is on track for a record sales year
- Strong growth prospects for Medical Adhesives business

2023 collection of acquisitions now expected to generate approximately \$60M in EBITDA in FY2025



Q3 Financial Summary

Strong Margin Expansion Continued

- Organic revenue declined 7.4% YOY, driven by principally by HHC customer destocking actions
- Adjusted gross profit margin was 30.0%, up 350 basis points YOY
- Adjusted SG&A was up slightly YOY, driven mainly by acquisitions
- Adjusted EBITDA up 13% YOY to \$156 Million and adjusted EBITDA margin up 270 bps YOY to 17.3%
- Adjusted EPS of \$1.06 was flat YOY
- Operating cash flow improved significantly YOY increasing by \$50 Million

FY 2023 Financial Guidance Update

Revenue

- Now expect net revenue to be between \$3.50B and \$3.55B
- Now expect organic sales to decline between 4.5% and 5.5% YOY

Adjusted EBITDA

- Now expect adjusted EBITDA to be in the range of \$580M and \$590M, representing growth of between 9% and 11% YOY

Net Interest Expense

- Now expect net interest expense of approximately \$135M

Adjusted Effective Tax Rate

- Now expect adjusted effective tax rate to be between 27% and 28%

Adjusted EPS

- Now expect adjusted EPS to be in the range of \$3.80 to \$3.90 per diluted share

Capital Expenditures

- Now expect capital expenditures to be approximately \$125M



Summary

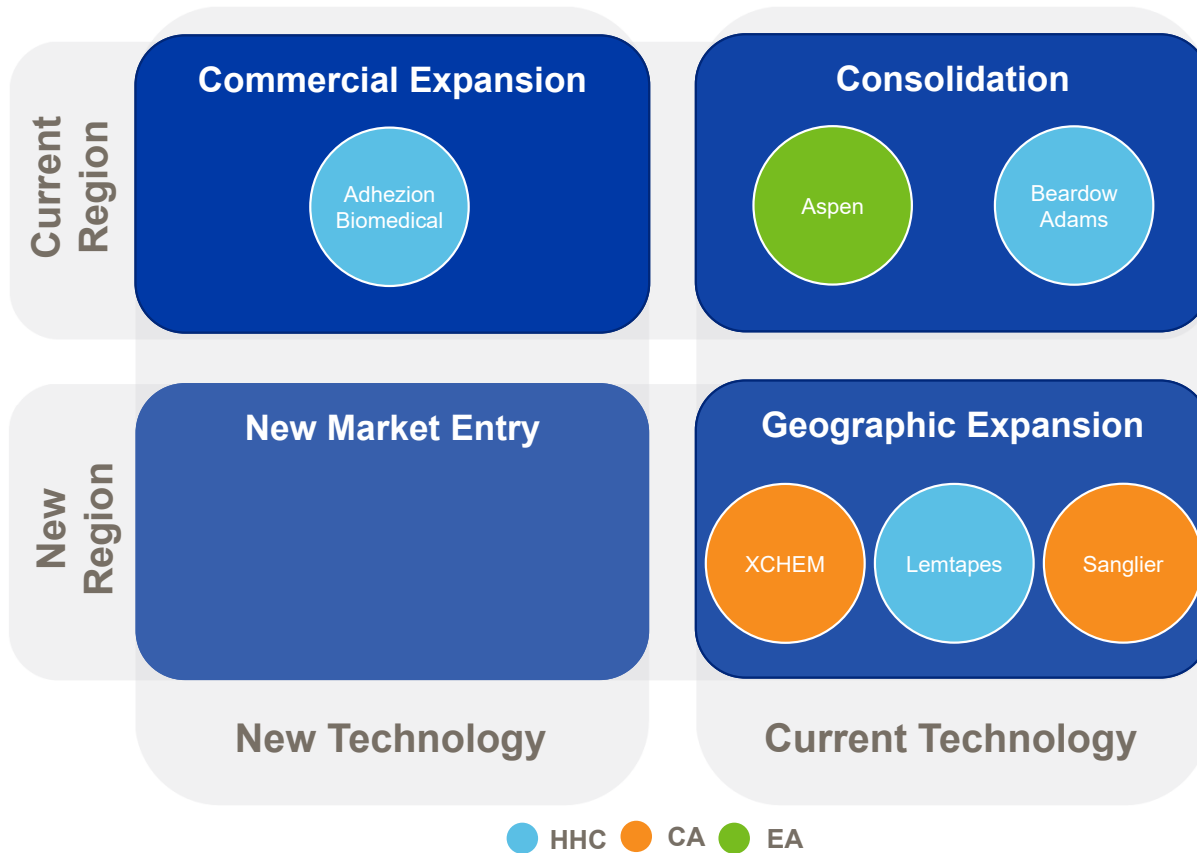
Executing Margin Expansion Strategy

- Driving the business to a higher profit profile as evidenced by our gross margin and adjusted EBITDA margin performance
- Strategy is to be recognized as the imperative ingredient to our customers success by creating valuable and sustainable solutions, using drops, not trucks of adhesive
- H.B. Fuller team members delivered exceptional results in a challenging environment
- We are transforming the company into a higher margin, higher growth, higher ROIC business



Appendix

2023 M&A Collection | Balance Across the Matrix



Sanglier Limited

- Expands innovation capabilities in the Construction Adhesives and Engineering Adhesives businesses
- Added sprayable (aerosol and canister) capabilities

Beardow Adams

- Added share in Packaging and Labeling and an expanded distribution network
- Significant synergies from overlapping footprint and raw material purchasing

XChem International

- Improves CA diversification geographically and by market segment
- Expansion of Fosters brand in MENA

Adhezion Biomedical

- Decisive platform movement into medical adhesives
- Technology extension on beachhead Tissue Seal deal, unlocking significant growth

Lemtapes

- Unique specialty adhesive tapes business
- Capital avoidance for EIMEA expansion

Aspen Research

- Unique manufacturing capabilities
- Previous toll manufacturer for H.B. Fuller

Regulation G Reconciliations

Please refer to the Company's latest earnings release for all Regulation G reconciliations by clicking [here](#)

