



H.B. Fuller

Fourth Quarter 2023 Conference Call

January 18, 2024



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 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.

Fourth Quarter Highlights

Adjusted Gross Margin 31.3%

Up 510 bps YOY
Up 130 bps Sequentially

Adjusted EBITDA \$173M

Up 22% YOY
Up 32% YOY on 13-Week Basis

Adjusted EPS \$1.32

Up 27% YOY
Up 37% YOY 13-Week Basis

- Strong execution drove strong profit growth, record margins, and outstanding cash flow
- Substantial improvement in organic revenue development as destocking coming to end
- Balanced price and raw material movements, implemented restructuring actions, and acquired highly synergistic businesses to deliver record adjusted EBITDA margins
- Continuing targeted capital allocation to highest growth, highest margin opportunities

Global Business Unit Update

Health, Hygiene, and Consumable Adhesives



- Organic revenue down 7.5% YOY
- **Adjusted EBITDA margin expanded 690 basis points to a record of 19.9%**
- Organic revenue results impacted by index-based pricing adjustments and continued customer destocking
- Favorable price and raw material management, synergistic acquisitions, and restructuring benefits led to record margin

Engineering Adhesives



- Organic revenue down 1.4% YOY
- **Adjusted EBITDA margin increased 240 basis points to 20.2%**
- Lower volume in Solar and Construction markets offset strong growth in the Electronics and Aerospace markets
- Improvement in profitability driven by favorable price, raw material actions, and continued strong cost management

Construction Adhesives



- **Organic revenue up 5.0% YOY**
- Adjusted EBITDA margin increased 40 basis points to 12.6%
- Organic revenue trend reversed, now more appropriately reflecting current underlying demand as destocking has come to an end
- Improved profitability driven by restructuring actions and followed normal seasonal pattern sequentially versus the third quarter



Regional Perspective

AMERICAS

- Organic revenue development improved significantly sequentially, from down 13% YOY in Q3 to down 6% YOY in Q4
- Substantial improvement in North America volumes versus third quarter, while remaining weak in Latin America

EIMEA

- Organic revenue was flat YOY
- Modest organic growth in EA, driven by Automotive and Electronics was offset by modest declines in both HHC and CA

ASIA PACIFIC

- Organic revenue decreased 2% YOY, influenced by the relatively volatile recovery in China
- Fits and starts in China are not unexpected and we continue to believe the overall trend there is positive and improving

Q4 Financial Summary

Margin Expansion Continued

- Net revenue declined 5.8% YOY; on a comparable 13-week basis, net revenue was up 1.2% YOY
- Organic revenue was down 3.5% YOY
- Adjusted gross profit margin was 31.3%, up 510 basis points YOY
- Adjusted SG&A was effectively flat YOY
- Adjusted EBITDA was up 22% YOY to \$173 Million and up over 30% YOY adjusting for the extra week
- Adjusted EPS of \$1.32 was up 27% driven by very strong operating income growth
- Full year operating cash flow of \$378M was up \$122M YOY, reflecting higher operating profit and improved working capital
- Reduced net-debt-to-EBITDA ratio to 2.9X

FY 2024 Financial Guidance Update

Revenue

- Expect net revenue to be up between 2% and 6% and organic revenue to be up between flat and +3% YOY
- Volume expected to be up low to-mid-single digits and pricing down low single digits YOY

Adjusted EBITDA

- Expect Adjusted EBITDA to be in the range of \$610M to \$640M, increasing 5% to 10% YOY
- Volume growth, restructuring savings and impact of acquisitions more than offset wage and other inflation, and bonus and variable comp rebuild

Net Interest Expense

- Expect net interest expense to be between \$115M to \$125M, reflecting continued strong cash flow and moderating interest rates

Adjusted EPS

- Expect core tax rate to be between 27% and 28%
- Expect fully diluted share count of approximately 57 million shares
- Expect Adjusted EPS to be in the range of \$4.15 to \$4.45, equating to growth of 7% to 15% YOY

Operating Cash Flow & CAPEX

- Expect operating cash flow to be in the range of \$300M to \$350M, weighted to 2H of the year
- Expect D&A expense to be approximately \$170M and for capital expenditures to be approximately \$140M

Q1 Guidance

- Expect Q1 net revenue to be up low-single-digits year-over-year
- Expect Q1 adjusted EBITDA to be between \$115M and \$125M

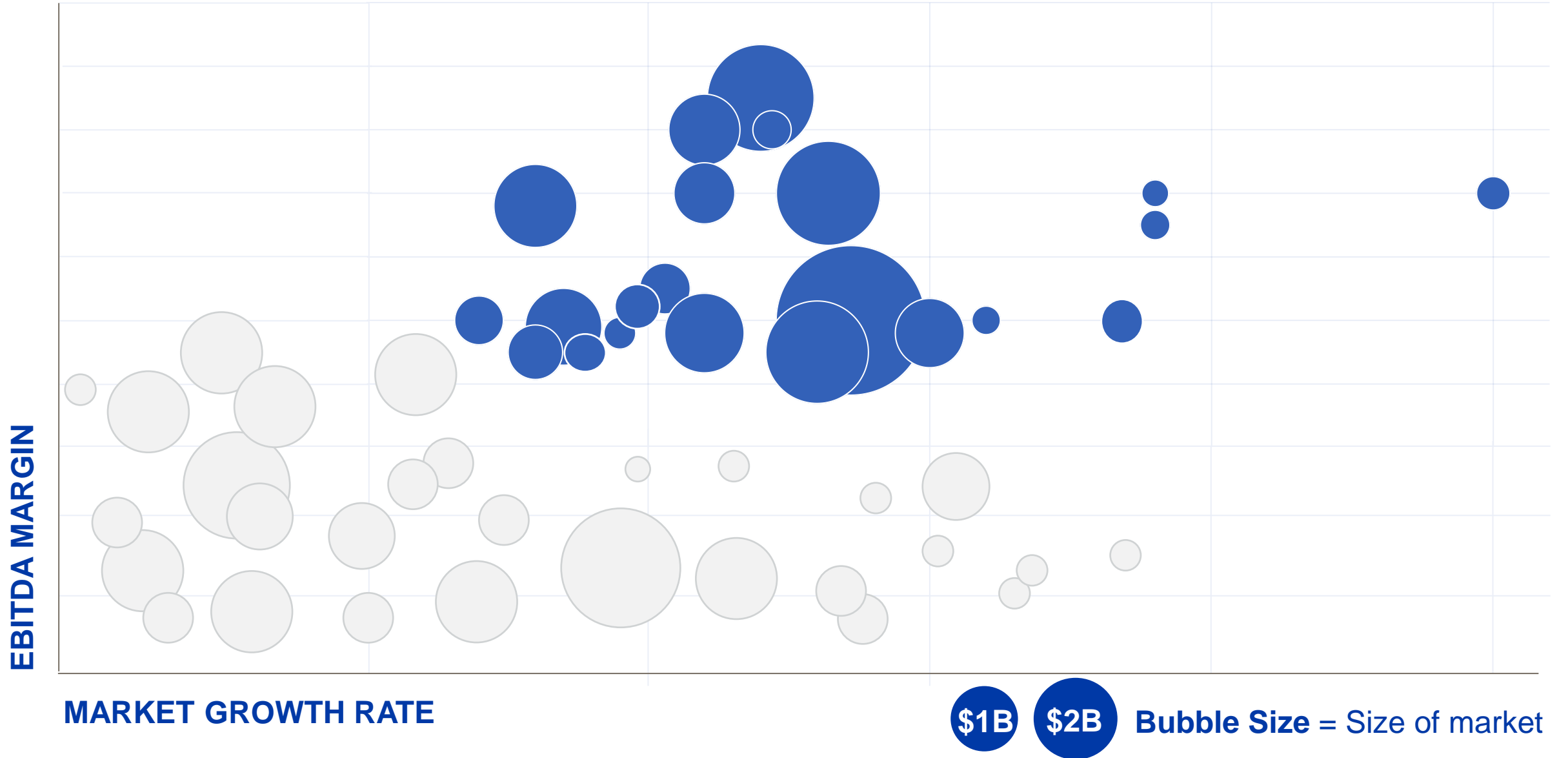
A photograph of three white darts on a target. The darts are positioned vertically, with their tips pointing towards the center of the target. The target is a circular board with concentric rings. The background is a light, neutral color.

Next Level Portfolio Management

Driving strong EBITDA margin expansion by proactively managing our portfolio and capital allocation

- Successfully transformed our portfolio over the past 15 years
- Concentrated within the highly specified portions of our market segments
- Next level portfolio management, proactive and explicit capital allocation to the highest margin growth segments of the portfolio
- All investment decisions rooted in transforming H.B. Fuller into a higher growth, higher margin, and higher ROIC business

Top Growth and Profit Improvement Opportunities



Portfolio Recasting

Growth Category

15 Market Segments



Overview

- 15 of our market segments, across all 3 GBU's
- Focused on quickly growing high margin segments

Key Characteristics

- Large and fast-growing markets which benefit from global megatrends
- Rapidly evolving product design innovation requirements

Financial Expectations

- Expected to realize outsized revenue growth
- Adjusted EBITDA margin greater than 25%

Leverage Category

16 Market Segments



Overview

- Consists of 16 market segments, across all 3 GBU's
- Focused on maximizing operating efficiency and cash flow

Key Characteristics

- Require highly selective go-to-market approach
- Demonstrate meaningful price-for-value opportunities
- H.B. Fuller is a disproportionate buyer of raw materials at scale

Financial Expectations

- Expected to generate greater than 15% EBITDA Margin through productivity and pricing excellence



Summary

Entering 2024 with confidence, optimism, and momentum

- Successfully executing our strategy to deploy capital to the highest return opportunities
- Innovating with speed to deliver solutions for our customers
- Driving efficiencies throughout our manufacturing footprint
- Achieving significant synergies from our collections of acquisitions

Regulation G Reconciliations

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

