Third Quarter 2019 Conference Call

Investor Presentation

St. Paul, MN
September 26, 2019

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 2019 outlook, which are unknown or have not yet occurred.

Additional Information

Please refer to our annual report for the year ended December 1, 2018, 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.

Q3'19 Business Summary

Q3'19 Highlights

- Share gains and margin expansion in a weak industrial production environment
- Strong cash flow conversion and de-levering faster than planned
- Business realignment to 3 global segments drives cost savings and improved organic growth

2019 Imperatives

✓ EBITDA
- Margins up in challenging environment
- Adj EPS & EBITDA up YoY, excluding FX and impact from divestiture
- $4M Royal synergies, on-track to target

✓ Share gains in strategic markets

✓ Increase cash flow & achieve $200M debt paydown target
- YTD Cash flow from operations +50%
- Raised debt paydown target to ~$260M

Q3 2019 Segment Summary

Americas Adhesives
- Organic sales growth ~flat year-over-year
- Improving volume trends; now annualized against 2018 pricing actions
- Adjusted EBITDA margin of 16% up sequentially from Q2

EIMEA
- PMI slowdown in core Europe
- Solid organic growth in India and Africa
- Improved adjusted EBITDA margin in Q2 & YoY

Asia Pacific
- 1% organic sales growth
- Hygiene & Packaging growth; China stabilized
- Improved adjusted EBITDA margin vs. Q2 and YoY

Construction Adhesives
- Repositioning portfolio from underperforming products
- Strengthening underlying contribution margin; reduced expenses ~$5M
- U.S. private construction spending lower YoY

Engineering Adhesives
- Organic growth driven by strong growth in Electronics and New Energy
- Slow Automotive market
- Strong adjusted EBITDA margin of 21%, up 400 bps YoY

Realigning in 2020 to Three Global Business Units

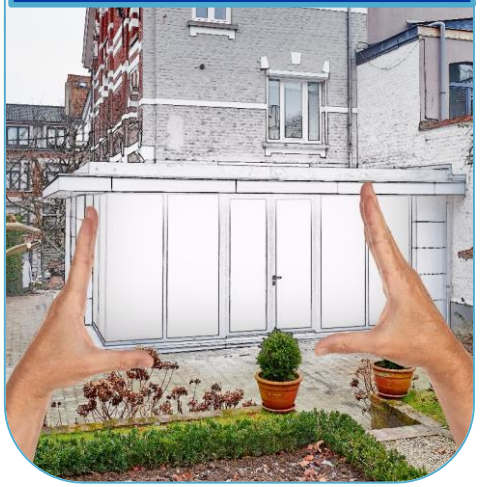
- Enhances strategic alignment of business strategies
- Accelerates global coordination across regions and end markets
- Simplifies business and reduces costs

2020 +

Engineering Adhesives

Hygiene, Health & Consumable Adhesives

Construction Adhesives



Q3 2019 Key Financial Results Summary

- Net Revenue down 5.8% year-over-year; organic sales down 3.3%
- Adjusted gross margin of 28.8% increased 40 bps YOY
- Adjusted SG&A declined by 5.6% YoY
- Adjusted EPS of $0.86, flat YoY; up excluding FX and divestiture
- Adjusted EBITDA of $116M vs. $120M in Q3’18; up YoY excluding FX and divestiture
- Adjusted EBITDA margin up 40 bps to 16%
- YTD cash from Operations of $160M up 50% YoY
- Paid down $151M of debt YTD; up $63 million versus 2018

FY 2019 Guidance Update

	Revised	Prior
Reported Revenue	Approx -5% YoY	Approx -3% YoY
Organic Growth	*Approx -1%*	*1% to 2%*
FX impact	*-3% to -4%*	*-3% to -4%*
Divestiture	*-0.5%*	*-0.5%*
Adjusted EPS	$2.95 to $3.05	$3.10 to $3.30
Adjusted EBITDA	$440M to $445M	$455M to $465M
Debt paydown	$260M	$250M

Assumes:

- Loss of ~$5M EBITDA and $0.05 adjusted EPS net impact from surfactants divestiture
- Interest expense of ~$90M
- Core effective tax rate between 26% and 28%
- Capital expenditures of ~$80 million
- Excludes pre-tax expenses of $20M for integration costs, $6M - $8M of ERP costs, and gains from divestitures and expenses related to business realignment from 5-3 segments

Wrap-Up

- Strong margin and cash flow resilience to dynamic external conditions
- Winning new customer business in highly engineered applications
- Continued focus on organic revenue growth and margin improvement
- Accelerating debt deleverage commitments
- 2020 Business realignment to drive cost savings and organic growth

H.B. Fuller

APPENDIX

Regulation G – EPS & EBITDA Reconciliation

	Three Months Ended		Nine Months Ended	
	August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018
Net income attributable to H.B. Fuller	$ 49,718	$ 37,730	$ 98,603	$ 129,863
Adjustments:				
Acquisition project costs	1,535	1,545	2,158	2,216
Tonsan call option agreement	-	110	-	(2,059)
Organizational realignment	(684)	883	1,110	2,367
Royal restructuring and integration	(9,132)	5,160	(1,150)	14,421
Tax reform	-	(802)	55	(36,138)
Project ONE	1,130	1,922	3,179	4,329
Other	1,660	(1,882)	3,427	(5,603)
Adjusted net income attributable to H.B. Fuller[1]	44,227	44,666	107,382	109,396
Add:				
Interest expense	25,607	27,750	79,354	83,156
Interest income	(3,115)	(2,934)	(9,191)	(8,769)
Income taxes	14,798	14,664	37,219	35,962
Depreciation and amortization expense [A]	34,606	36,123	105,403	108,436
Adjusted EBITDA[1]	116,123	120,269	320,167	328,181
Diluted Shares	51,502	52,138	51,836	51,961
Adjusted diluted income per common share attributable to H.B. Fuller	$ 0.86	$ 0.86	$ 2.07	$ 2.11
Revenue	$ 725,376	$ 770,107	$ 2,157,894	$ 2,272,573
Adjusted EBITDA margin[1]	16.0%	15.6%	14.8%	14.4%

[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 $174 and $1,135 for the three and six months ended August 31, 2019, respectively, and $361 and $726 for the three and six months ended September 1, 2018, respectively.

Regulation G – Q3 Segment Information

	Three Months Ended August 31, 2019	Three Months Ended September 1, 2018
Net Revenue:		
Americas Adhesives	$ 259,758	$ 268,736
EIMEA	154,278	171,505
Asia Pacific	65,624	65,960
Construction Adhesives	107,920	123,977
Engineering Adhesives	137,796	139,929
Total H.B. Fuller	$ 725,376	$ 770,107
Segment Operating Income:		
Americas Adhesives	$ 28,263	$ 31,474
EIMEA	6,458	6,199
Asia Pacific	6,114	3,677
Construction Adhesives	7,380	11,907
Engineering Adhesives	18,491	14,034
Total H.B. Fuller	$ 66,706	$ 67,291
Adjusted EBITDA[1]		
Americas Adhesives	$ 42,312	$ 47,437
EIMEA	17,112	16,597
Asia Pacific	8,993	6,572
Construction Adhesives	17,441	24,699
Engineering Adhesives	29,400	24,145
Corporate unallocated	865	819
Total H.B. Fuller	$ 116,123	$ 120,269
Adjusted EBITDA Margin[1]		
Americas Adhesives	16.3%	17.7%
EIMEA	11.1%	9.7%
Asia Pacific	13.7%	10.0%
Construction Adhesives	16.2%	19.9%
Engineering Adhesives	21.3%	17.3%
Corporate unallocated	0.1%	0.1%
Total H.B. Fuller	16.0%	15.6%

Regulation G – YTD Segment Information

	Nine Months Ended August 31, 2019	Nine Months Ended September 1, 2018
Net Revenue:		
Americas Adhesives	$ 761,408	$ 785,931
EIMEA	476,244	522,658
Asia Pacific	200,109	206,990
Construction Adhesives	301,619	345,125
Engineering Adhesives	418,514	411,869
Total H.B. Fuller	$ 2,157,894	$ 2,272,573
Segment Operating Income:		
Americas Adhesives	$ 70,472	$ 72,793
EIMEA	18,454	22,714
Asia Pacific	15,651	11,005
Construction Adhesives	11,148	24,410
Engineering Adhesives	57,573	42,472
Total H.B. Fuller	$ 173,298	$ 173,394
Adjusted EBITDA[1]		
Americas Adhesives	$ 111,658	$ 117,643
EIMEA	47,861	54,451
Asia Pacific	24,391	19,806
Construction Adhesives	44,239	60,481
Engineering Adhesives	88,102	70,907
Corporate unallocated	3,916	4,893
Total H.B. Fuller	$ 320,167	$ 328,181
Adjusted EBITDA Margin[1]		
Americas Adhesives	14.7%	15.0%
EIMEA	10.0%	10.4%
Asia Pacific	12.2%	9.6%
Construction Adhesives	14.7%	17.5%
Engineering Adhesives	21.1%	17.2%
Corporate unallocated	0.2%	0.2%
Total H.B. Fuller	14.8%	14.4%

Regulation G – Adjusted Income Reconciliation

	Three Months Ended		Nine Months Ended	
	August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018
Income before income taxes and income from equity method investments	$ 66,976	$ 44,836	$ 132,248	$ 113,863
Adjustments:				
Acquisition project costs	1,871	2,101	2,641	3,108
Tonsan call option agreement	-	110	-	(2,059)
Organizational realignment	(1,345)	1,035	885	2,297
Royal restructuring and integration	(12,131)	6,490	(1,591)	20,473
Tax reform	-	-	75	-
Project ONE	1,378	2,564	3,982	6,266
Other	213	-	1,105	(4,745)
Adjusted income before income taxes and income from equity method investments[2]	$ 56,962	$ 57,136	$ 139,345	$ 139,203

[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 financial measure determined and reported in accordance with GAAP.

Regulation G – Adjusted Income Tax Reconciliation

	Three Months Ended		Nine Months Ended	
	August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018
Income Taxes	$ (19,321)	$ (9,300)	$ (38,902)	$ 9,844
Adjustments:				
Acquisition project costs	(336)	(556)	(482)	(892)
Tonsan call option agreement	-	-	-	-
Organizational realignment	660	(151)	225	70
Royal restructuring and integration	2,999	(1,331)	441	(6,052)
Tax reform	-	(802)	(20)	(36,138)
Project ONE	(247)	(641)	(803)	(1,937)
Other	1,447	(1,883)	2,322	(857)
Adjusted income taxes[3]	$ (14,798)	$ (14,664)	$ (37,219)	$ (35,962)
Adjusted income before income taxes and income from equity method investments	$ 56,962	$ 57,136	$ 139,345	$ 139,203
Adjusted effective income tax rate[3]	26.0%	25.7%	26.7%	25.8%

[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 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

	Three Months Ended		Nine Months Ended	
	August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018
Net revenue	725,376	770,107	2,157,894	2,272,573
Gross profit	$ 207,321	$ 215,030	$ 605,705	$ 620,729
Gross profit margin	28.6%	27.9%	28.1%	27.3%
Adjustments:				
Acquisition project costs	-	1,823	-	1,996
Tonsan call option agreement	-	-	-	-
Organizational realignment	(367)	621	(124)	1,298
Royal restructuring and integration	1,741	1,389	4,250	2,216
Tax reform	-	-		-
Project ONE	-	-	-	-
Other	(5)	-	(9)	-
Adjusted gross profit[4]	$ 208,690	$ 218,863	$ 609,822	$ 626,239
Adjusted gross profit margin[4]	28.8%	28.4%	28.3%	27.6%

[4] 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 GAAP.

Regulation G – Adjusted SG&A Reconciliation

	Three Months Ended		Nine Months Ended	
	August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018
Selling, general and administrative expenses	$ (140,615)	$ (147,739)	$ (432,407)	$ (447,335)
Adjustments:				
Acquisition project costs	1,871	279	2,641	1,114
Tonsan call option agreement	-	2	-	(2,323)
Organizational realignment	2,937	413	4,551	998
Royal restructuring and integration	2,737	5,101	10,747	18,256
Tax reform	-	-	75	-
Project ONE	1,378	2,564	3,982	6,266
Other	242	-	1,134	27
Adjusted selling, general and administrative expenses[5]	$ (131,450)	$ (139,380)	$ (409,277)	$ (422,997)

[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 – Q3'19 Segment EBITDA Reconciliation

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Three Months Ended August 31, 2019	$ 30,239	$ 7,086	$ 6,155	$ 8,065	$ 18,573	$ 70,118	$ (20,400)	$ 49,718
Net income attributable to H.B. Fuller								
Adjustments:								
Acquisition project costs	694	451	257	209	260	1,871	(336)	1,535
Tonsan call option agreement	-	-	-	-	-	-	-	-
Organizational realignment	1,258	1,519	155	(552)	188	2,568	(3,252)	(684)
Royal restructuring and integration	1,294	1,178	219	469	1,320	4,480	(13,612)	(9,132)
Tax reform	-	-	-	-	-	-	-	-
Project ONE	519	337	171	157	195	1,379	(249)	1,130
Other	143	93	-	-	-	236	1,424	1,660
Adjusted net income attributable to H.B. Fuller[1]	34,147	10,664	6,957	8,348	20,536	80,652	(36,425)	44,227
Add:								
Interest expense	-	-	-	-	-	-	25,607	25,607
Interest income	-	-	-	-	-	-	(3,115)	(3,115)
Income taxes	-	-	-	-	-	-	14,798	14,798
Depreciation and amortization expense	8,165	6,448	2,036	9,093	8,864	34,606	-	34,606
Adjusted EBITDA[1]	$ 42,312	$ 17,112	$ 8,993	$ 17,441	$ 29,400	$ 115,258	$ 865	$ 116,123

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 – YTD 2019 Segment EBITDA Reconciliation

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Nine Months Ended August 31, 2019	$ 76,398	$ 20,400	$ 15,773	$ 13,205	$ 57,826	$ 183,602	$ (84,999)	$ 98,603
Net income attributable to H.B. Fuller								
Adjustments:								
Acquisition project costs	984	639	352	297	369	2,641	(483)	2,158
Tonsan call option agreement	-	-	-	-	-	-	-	-
Organizational realignment	3,073	1,062	188	(122)	226	4,427	(3,317)	1,110
Royal restructuring and integration	3,339	4,317	1,290	3,420	2,628	14,994	(16,144)	(1,150)
Tax reform	28	18	10	9	10	75	(20)	55
Project ONE	1,500	974	492	452	562	3,980	(801)	3,179
Other	914	215	-	-	-	1,129	2,298	3,427
Adjusted net income attributable to H.B. Fuller[1]	86,236	27,625	18,105	17,261	61,621	210,848	(103,466)	107,382
Add:								
Interest expense	-	-	-	-	-	-	79,354	79,354
Interest income	-	-	-	-	-	-	(9,191)	(9,191)
Income taxes	-	-	-	-	-	-	37,219	37,219
Depreciation and amortization expense	25,422	20,236	6,286	26,978	26,481	105,403	-	105,403
Adjusted EBITDA[1]	$ 111,658	$ 47,861	$ 24,391	$ 44,239	$ 88,102	$ 316,251	$ 3,916	$ 320,167

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 – Q3'18 Segment EBITDA Reconciliation

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Three Months Ended September 1, 2018 Net income attributable to H.B. Fuller	$ 33,335	$ 7,132	$ 3,714	$ 12,735	$ 14,219	$ 71,135	$ (33,405)	$ 37,730
Adjustments:								
Acquisition project costs	2,037	26	12	13	13	2,101	(556)	1,545
Tonsan call option agreement	-	-	-	-	2	2	108	110
Organizational realignment	8	623	2	399	2	1,034	(151)	883
Royal Restructuring	2,171	1,272	418	1,871	759	6,491	(1,331)	5,160
Tax Reform	-	-	-	-	-	-	(802)	(802)
Project ONE	1,008	631	298	302	325	2,564	(642)	1,922
Other	-	-	-	-	-	-	(1,882)	(1,882)
Adjusted net income attributable to H.B. Fuller[1]	38,559	9,684	4,444	15,320	15,320	83,327	(38,661)	44,666
Add:								
Interest expense	-	-	-	-	-	-	27,750	27,750
Interest income	-	-	-	-	-	-	(2,934)	(2,934)
Income taxes	-	-	-	-	-	-	14,664	14,664
Depreciation and amortization expense	8,878	6,913	2,128	9,379	8,825	36,123	-	36,123
Depreciation expense	4,288	4,952	1,669	2,875	3,638	17,422	-	17,422
Amortization expense	4,548	2,284	491	6,457	5,463	19,243	-	19,243
Adjusted EBITDA[1]	$ 47,437	$ 16,597	$ 6,572	$ 24,699	$ 24,145	$ 119,450	$ 819	$ 120,269

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 – YTD 2018 Segment EBITDA Reconciliation

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Nine Months Ended September 1, 2018	$ 78,378	$ 25,589	$ 11,117	$ 26,893	$ 43,029	$ 185,006	$ (55,143)	$ 129,863
Net income attributable to H.B. Fuller								
Adjustments:								
Acquisition project costs	2,883	72	34	35	83	3,107	(891)	2,216
Tonsan call option agreement	-	-	-	-	(2,323)	(2,323)	264	(2,059)
Organizational realignment	188	1,341	5	758	5	2,297	70	2,367
Royal Restructuring	7,315	4,545	1,483	4,338	2,793	20,474	(6,053)	14,421
Tax Reform	-	-	-	-	-	-	(36,138)	(36,139)
Project ONE	2,463	1,542	727	739	795	6,266	(1,937)	4,329
Other	21	1	1	1	1	25	(5,628)	(5,603)
Adjusted net income attributable to H.B. Fuller[1]	91,248	33,090	13,367	32,764	44,383	214,852	(105,456)	109,396
Add:								
Interest expense	-	-	-	-	-	-	83,156	83,156
Interest income	-	-	-	-	-	-	(8,769)	(8,769)
Income taxes	-	-	-	-	-	-	35,962	35,962
Depreciation and amortization expense	26,395	21,361	6,439	27,717	26,524	108,436	-	108,436
Adjusted EBITDA[1]	$ 117,643	$ 54,451	$ 19,806	$ 60,481	$ 70,907	$ 323,288	$ 4,893	$ 328,181

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 Growth Components

	Three Months Ended August 31, 2019 Total	Nine Months Ended August 31, 2019 Total
Price	(0.6%)	1.5%
Volume	(2.7%)	(2.7%)
Organic Growth (Decline)	(3.3%)	(1.2%)
M&A	(0.6%)	(0.2%)
F/X	(1.9%)	(3.7%)
Total H.B. Fuller net revenue	(5.8%)	(5.1%)

	Three Months Ended August 31, 2019			Nine Months Ended August 31, 2019		
	Net Revenue	F/X	Organic Growth (Decline)	Net Revenue	F/X	Organic Growth (Decline)
Americas Adhesives	(3.3%)	(1.7%)	0.1%	(3.1%)	(3.0%)	0.5%
EIMEA	(10.0%)	(2.7%)	(7.3%)	(8.9%)	(6.5%)	(2.4%)
Asia Pacific	(0.6%)	(1.6%)	1.0%	(3.3%)	(3.9%)	0.6%
Construction Adhesives	(13.0%)	(0.6%)	(12.4%)	(12.6%)	(0.8%)	(11.8%)
Engineering Adhesives	(1.5%)	(2.4%)	0.9%	1.6%	(3.7%)	5.3%
Total H.B. Fuller	(5.8%)	(1.9%)	(3.3%)	(5.1%)	(3.7%)	(1.2%)

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