



H.B. Fuller

Second Quarter 2023 Conference Call

June 29th, 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.



Second Quarter Highlights

Adjusted Gross Margin

Up 330 bps YOY
Up 210 bps Sequentially

Adjusted EBITDA Margin

Up 190 bps YOY
Up 230 bps Sequentially

Operating Cash Flow

Up \$94M YOY



Second quarter profit performance was strong and in-line with our expectations



Successful price and raw material cost actions, together with streamlined production costs, delivered significant EBITDA margin expansion



Customer destocking actions significantly impacted volume development during the second quarter, but destocking activity has reached an inflection point



Cash flow from operations was \$103M, up \$94M YOY, reflecting improving margins and working capital requirements

Global Business Unit Update

Health, Hygiene, and Consumable Adhesives



- Organic revenue declined 5.5%
- Adjusted EBITDA margin increased 290 basis points to 16.1%
- Packaging and beverage labeling markets experienced more pronounced destocking impacts while hygiene and tissue towel market segments were less impacted
- Favorable price and raw material cost management, as well as good expense management, drove the improvement YOY

Engineering Adhesives



- Organic revenue declined 9.0%
- Adjusted EBITDA margin increased 210 basis points to 16.8%
- Strong growth in automotive, bus-truck-and-rail, and aerospace market segments
- Construction and durable goods market segments impacted by customer destocking activity

Construction Adhesives



- Organic sales declined 14.2%
- Adjusted EBITDA margin improved considerably on a sequential basis, up 11 percentage points to 14.1%
- Destocking activity began to taper during second quarter, resulting in improved YOY organic sales relative to Q1
- CA executed quick turnaround in profitability, reducing fixed costs





Regional Perspective

Americas

- Organic revenue decreased 9.7% YOY
- Customer destocking moderated in CA, but accelerated in HHC and EA
- Restructuring benefits began to positively impact profitability

EIMEA

- Organic revenue decreased 6.3% YOY
- Customer destocking moderated in CA, but accelerated in HHC and EA
- Innovative, highly-specified engineered adhesive sales buffering economic weakness

Asia-Pacific

- Organic revenue decreased 5.5% YOY
- Demand in China improved, but still declined YOY
- Expect milder second half rebound in China



M&A Strategy

Driving Strategic Growth

- M&A is a strategic tool to accelerate realization of many of our growth opportunities
- Robust pipeline of proprietary deals
- Strong cash flow profile enables us to annually allocate \$200M - \$300M in capital for strategic tuck-in acquisitions
- Acquire at post-synergy multiples well below trading multiple, often at de-leveraging multiples
- Committed to reducing net debt-to-EBITDA multiple below 3X



2023 M&A Collection | Balance Across the Matrix



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

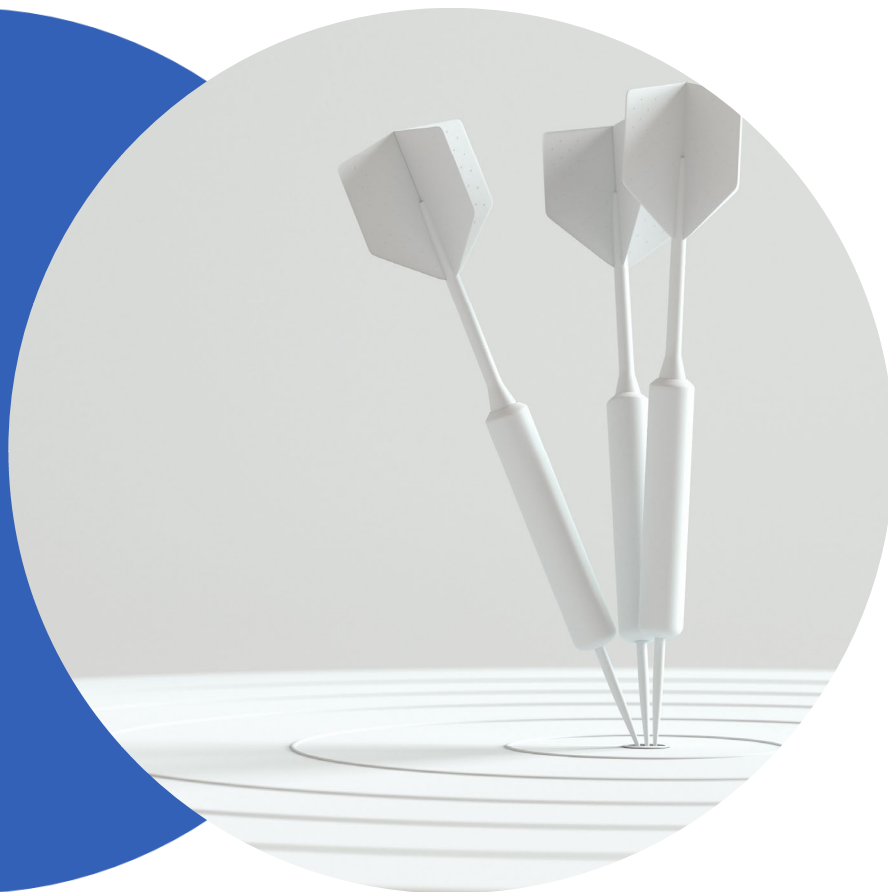
Lemtapes

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

Aspen Research

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





2023 M&A Collection

Driving Value Creation

- Completed 5 tuck-in acquisitions in FY2023 YTD
- Collection will contribute approximately \$100M in Sales and \$8M in EBITDA in FY2023
- Collection will contribute approximately \$200M in Sales and \$50M in EBITDA by FY2025
- Combined purchase price of approximately \$200M
- Expect post-synergy multiple of less than 5X EBITDA
 - Approximately 3X EBITDA, excluding Adhezion Biomedical transaction, less than our current net-debt-to-EBITDA multiple



Q2 Financial Summary

Strong Profitability Improvement

- Organic sales declined 8.3% YOY, driven by customer destocking actions
- Adjusted gross profit margin was 29%, up 330 basis points YOY
- Adjusted SG&A was essentially flat YOY
- Adjusted EBITDA \$143 Million, at mid-point of guidance range, and adjusted EBITDA margin up 190 bps YOY to 15.9%
- Adjusted EPS of \$0.93 was down YOY driven by lower volume, unfavorable foreign currency and higher interest rates
- Operating cash flow increased by \$94 Million YOY

FY 2023 Financial Guidance Update

Revenue

- Now expect both net revenue and organic revenue to decline 3% to 5% YOY
- Now expect impact of FX, acquisitions, and the extra week in FY22 to be neutral vs FY23

Net Interest Expense

- Now expect net interest expense to be in the range of \$125M to \$135M

Depreciation/Amortization

- Now expect depreciation and amortization expense of approximately \$160M

Adjusted EBITDA

- Continue to expect Adjusted EBITDA to be in the range of \$580M to \$610M in FY23
- Now expect Adjusted EBITDA to be in the range of \$155M to \$165M in Q3 FY23

Adjusted EPS

- Now expect Adjusted EPS to be in the range of \$3.80 to \$4.20

Operating Cash Flow

- Now expect operating cash flow to be in the range of \$325M to \$375M



Difference-making Innovation

2023 ASC Innovation Award

EV Protect, A lightweight encapsulant for lithium-ion batteries used in the production of electric vehicles



Industry Leading Technology

Full Care 900 Series, Enabling the industry's first biodegradable sanitary product





Summary

Confidence in a Stronger Second Half

- Well-positioned in the marketplace and continue to expect strong growth in adjusted EBITDA and operating cash flow in fiscal 2023
- Diversification of our portfolio and robust innovation pipeline engender continual product line upgrades
- Confidence in a stronger second half performance is high as we expect:
 - Destocking activity to fade
 - EBITDA margins to continue to benefit from price and raw material cost actions
 - Demand conditions in China to improve
 - Foreign currency comparisons to be favorable
 - Restructuring benefits to continue to ramp

The background of the slide features a blue-tinted city skyline with several skyscrapers. Overlaid on the city is a semi-transparent stock market chart with green and red candlesticks and a blue line graph. A large, solid blue circle is positioned on the left side of the slide, containing the word "Appendix" in white text.

Appendix

Strategic M&A



UK-based Adhesives company with a strong presence in the packaging and labeling market segments

- Accelerate growth and profitability in HHC and enhance our technologies and product portfolio to better address today's mega trends



United Arab Emirates-based adhesives manufacturer that offers a wide range of specialty adhesives and coatings for industrial and infrastructure applications

- Expands CA's manufacturing capacity outside the United States and broadens its portfolio of products



US-based adhesives company that manufactures and distributes advanced adhesives for use in wound care and a broad range of healthcare disciplines

- Builds a platform of scale for HHC in the topical skin bonding market by providing vertically integrated manufacturing capabilities in the US for worldwide distribution



Strategic M&A

LEMTAPES

Invisible strength

Finland-based producer of ecological, innovative tapes and adhesives for cardboard and plywood industries

- Included in EA's ACS segment, expand capacity outside the U.S., localizing manufacturing in Europe, enhancing supply chain efficiency, and reduces freight costs



Minnesota-based contract research organization that is known for superior understanding of materials science, engineering and analytical testing

- Expands EA's footprint in North America, strengthens capabilities in Insulating Glass (IG) market and analytical testing, specializes in custom materials manufacturing for chemical and adhesive producers



Regulation G Reconciliations

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

