

Third Quarter 2018 Conference Call Investor Presentation

St. Paul, MN
Sept. 27, 2018



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 2018 outlook, which are unknown or have not yet occurred.

Additional Information

Please refer to our recent press release and annual report for the year ended December 2, 2017, 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.



Business Summary

Q3 Highlights

- Strong revenue growth, improved margins & increased earnings
- Legacy H.B. Fuller and Royal businesses performing well and synergies positively impacting business
- Organic revenue growth of ~5% YOY
- Adjusted gross margin improved 110bps vs proforma Q3'17
- Adjusted EBITDA of \$120M increased ~7 % vs. proforma Q3'17
- Adjusting 2018 guidance



2018 Focus Areas

Annual Imperatives

- Realize annualized pricing to offset raw material inflation
- Continue Royal integration and deliver \$15 million in synergies during 2018
- Generate free cash flow to repay \$170 million of debt

Q3 Achievements

- Achieved with pricing actions in 1H18, in-line with target
- Achieved \$4 million of synergy in Q3, and \$10 million year-to-date
- Generated operating cash flow of \$84 million and reduced debt by \$41 million



Q3 2018 Segment Summary

EIMEA

- Organic revenue growth 6.5% YOY
- Adjusted EBITDA margin 10.5%
- Reflects Q3 seasonality

Americas Adhesives

- Organic revenue growth 2% YOY
- Adjusted EBITDA margin up significantly to 18%

Asia Pacific

- Organic revenue Growth +3% YOY
- Uncertainty in China economy
- Adj. EBITDA margin up 80 bps

Engineering Adhesives

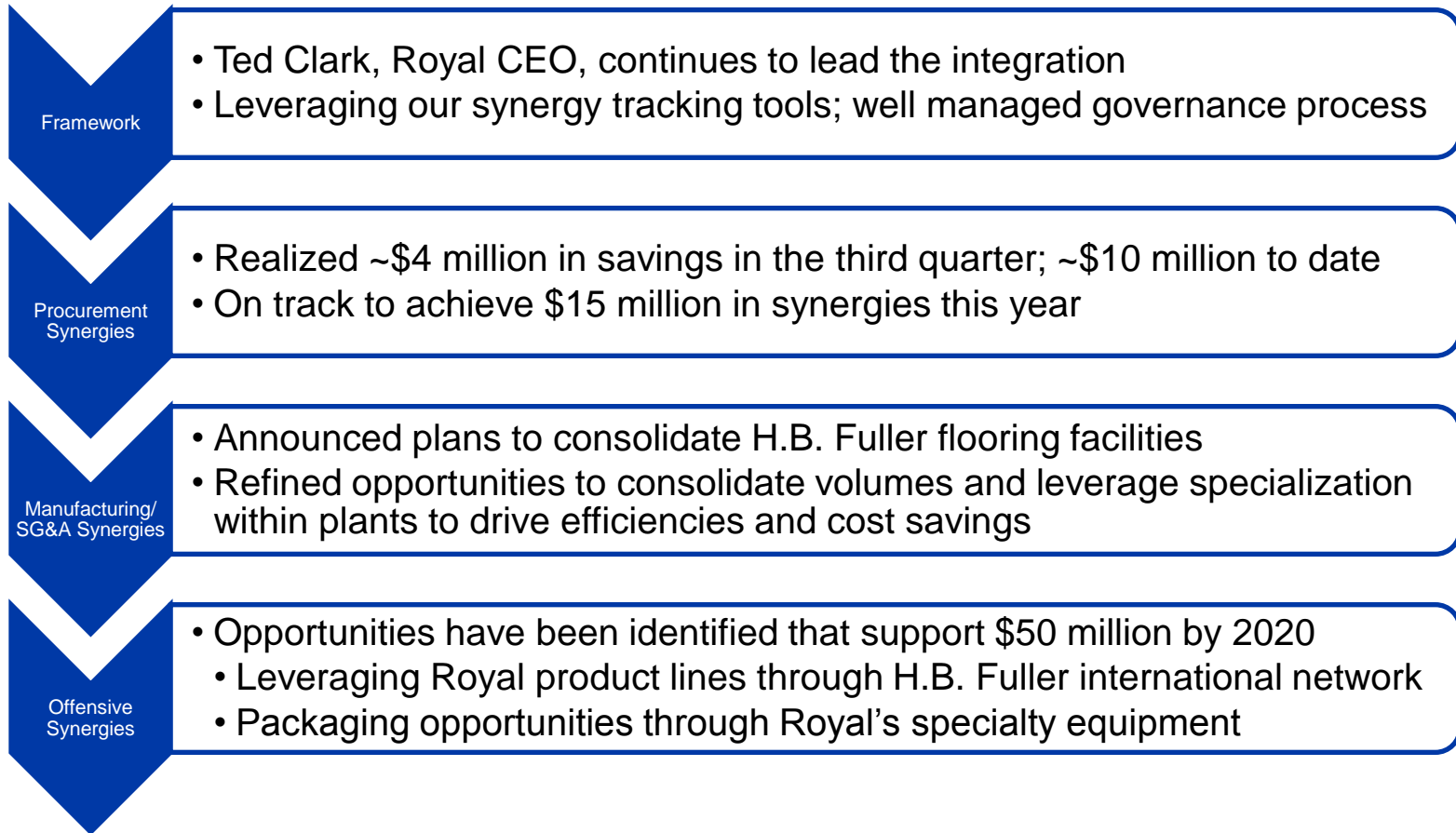
- Organic revenue growth of mid-teens YOY
- Adjusted EBITDA margin of 16%, up 20bps sequential

Construction Adhesives

- Organic revenue ~5% YOY; flat on a proforma basis
- Adjusted EBITDA margin of ~20%, up 20 bps sequential



Royal Integration



The Royal integration proceeding as expected and creating significant shareholder value

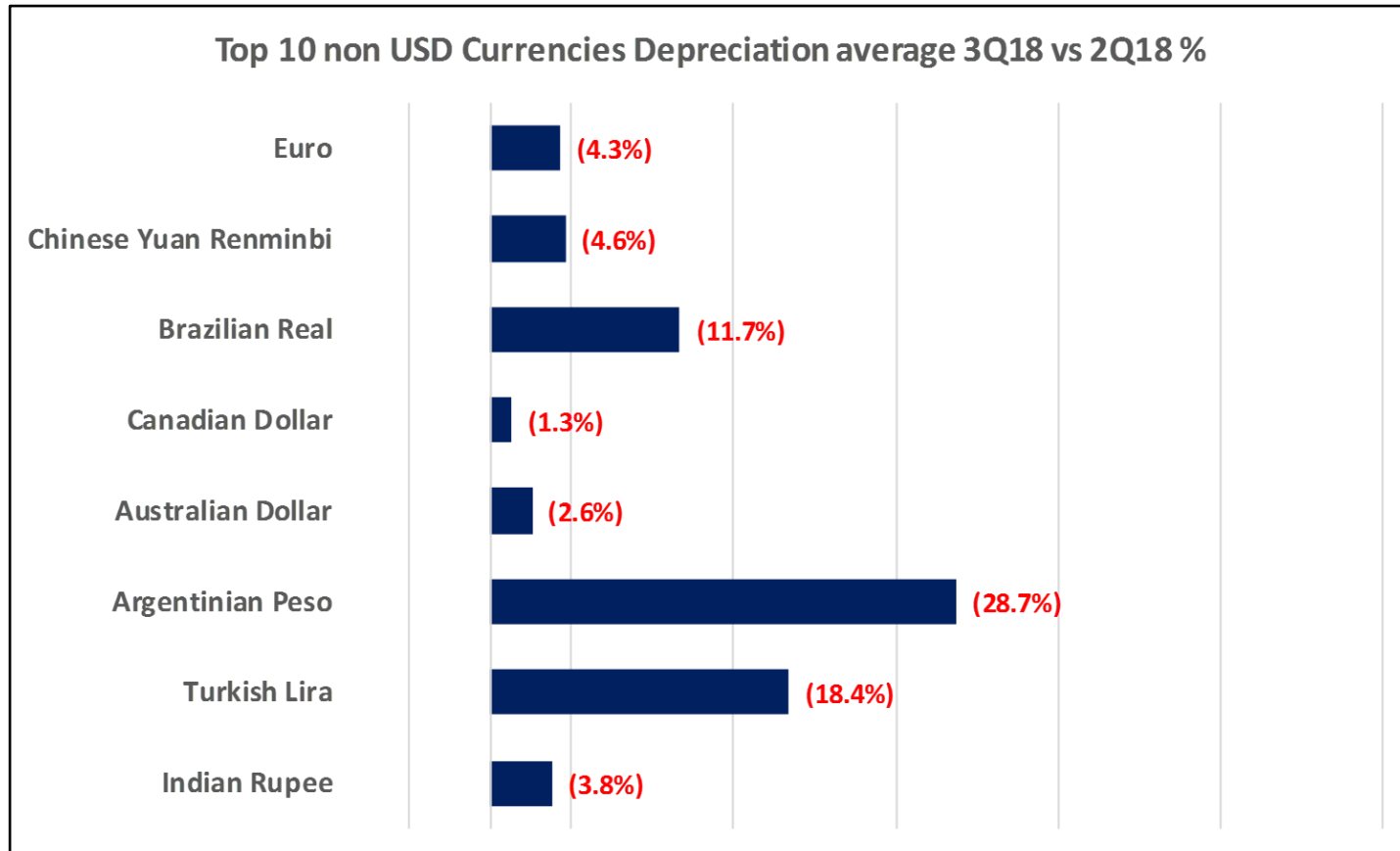


Q3 2018 Financial Results Summary

- ~5% organic revenue growth vs. Q3'17
- Growth driven by pricing with volume/mix about flat YOY
- Adjusted gross margin improved 110bps YOY and 40bps sequentially on a proforma basis (with Royal in 2017)
- Adjusted EBITDA of \$120M, up ~7% YOY on a proforma basis
- Adjusted EPS of \$0.86, up 32% YOY
 - Strong revenue growth and margin improvement
 - Negative impact from currency of ~3 cents YOY and ~4 cents vs. guidance



Q3 2018 – Foreign Exchange Rate Headwinds



Fiscal Year 2018 Guidance

- ~3% revenue growth for balance of 2018, proforma for Royal
- FY18 adjusted EBITDA of ~\$455 - 470 million
- Tax rate of 25-27%
- Capex of ~\$70 million
- Free cash flow generation to pay down \$170 million of debt
- Adjusted EPS guidance range of \$3.05-\$3.20



Wrap-Up

- Strong Q3 growth and margin performance
- Successful Royal integration driving shareholder value
 - Secured a significant percentage of raw material synergy
 - Executing plan for manufacturing synergies
 - Growing pipeline of revenue synergies
- Solid organic growth in both legacy and Royal businesses
- Pricing actions driving margin improvement
- Adjusted full year 2018 guidance
 - Near-term headwinds
 - No change to 2020 targets



Our Action Plan is Designed to Deliver Results

**Profitable Growth
in Engineering
Adhesives**



**Realization of
Royal-Related
Synergy Targets**



**Efficiency Through
Manufacturing
Excellence**



Expertise in Technology and Innovation

Dedicated and Globally-Connected Team of Experts

APPENDIX



Regulation G – EPS & EBITDA Reconciliation

	Three Months Ended		Nine Months Ended	
	September 1, 2018	September 2, 2017	September 1, 2018	September 2, 2017
Net income attributable to H.B. Fuller	\$ 37,730	\$ 25,138	\$ 129,863	\$ 65,800
Acquisition project costs	1,544	1,266	2,215	3,363
Tonsan call option agreement	110	1,222	(2,059)	(2,241)
Organizational realignment	879	832	2,311	14,831
Royal restructuring and integration	5,164	3,530	14,478	3,530
Tax reform	-	-	(35,555)	-
Other	(761)	1,330	(1,857)	4,728
Adjusted net income attributable to H.B. Fuller	44,666	33,318	109,396	90,011
Add:				
Interest expense, net	24,816	7,276	74,387	22,248
Income taxes	14,664	12,971	35,962	34,974
Depreciation expense	17,007	12,332	50,801	35,862
Amortization expense	19,116	7,899	57,635	23,128
Adjusted EBITDA	120,269	73,796	328,181	206,223
Diluted Shares	52,138	51,605	51,961	51,584
Adjusted diluted income per common share attributable to H.B. Fuller	<u>\$ 0.86</u>	<u>\$ 0.65</u>	<u>\$ 2.11</u>	<u>\$ 1.74</u>
Revenue	\$ 770,107	\$ 562,869	\$ 2,272,573	\$ 1,627,843
Adjusted EBITDA margin	15.6%	13.1%	14.4%	12.7%



Regulation G – Q3 Segment Information

	<u>Three Months Ended</u> <u>September 1, 2018</u>	<u>Three Months Ended</u> <u>September 2, 2017</u>
Net Revenue:		
Americas Adhesives	\$ 282,490	\$ 230,881
EIMEA	182,020	137,408
Asia Pacific	65,944	62,972
Construction Adhesives	121,140	59,080
Engineering Adhesives	118,513	72,528
Total H.B. Fuller	<u>\$ 770,107</u>	<u>\$ 562,869</u>
Segment Operating Income:		
Americas Adhesives	\$ 34,816	\$ 25,434
EIMEA	8,758	8,873
Asia Pacific	3,694	2,793
Construction Adhesives	12,767	(698)
Engineering Adhesives	11,100	3,779
Total H.B. Fuller	<u>\$ 71,135</u>	<u>\$ 40,181</u>
Adjusted EBITDA¹		
Americas Adhesives	\$ 50,964	\$ 35,361
EIMEA	19,158	16,808
Asia Pacific	6,580	5,648
Construction Adhesives	23,516	4,612
Engineering Adhesives	19,232	9,799
Total H.B. Fuller	<u>\$ 119,450</u>	<u>\$ 72,228</u>
Adjusted EBITDA Margin¹		
Americas Adhesives	18.0%	15.3%
EIMEA	10.5%	12.2%
Asia Pacific	10.0%	9.0%
Construction Adhesives	19.4%	7.8%
Engineering Adhesives	16.2%	13.5%
Total H.B. Fuller	<u>15.5%</u>	<u>12.8%</u>



Regulation G – YTD Q3 Segment Information

	<u>Nine Months Ended</u> <u>September 1, 2018</u>	<u>Nine Months Ended</u> <u>September 2, 2017</u>
Net Revenue:		
Americas Adhesives	\$ 821,813	\$ 653,665
EIMEA	554,031	396,674
Asia Pacific	206,944	190,083
Construction Products	340,179	179,880
Engineering Adhesives	349,606	207,541
Total H.B. Fuller	<u>\$ 2,272,573</u>	<u>\$ 1,627,843</u>
Segment Operating Income:		
Americas Adhesives	\$ 84,934	\$ 72,921
EIMEA	30,636	18,753
Asia Pacific	11,056	9,423
Construction Products	25,705	(3,234)
Engineering Adhesives	32,675	11,667
Total H.B. Fuller	<u>\$ 185,006</u>	<u>\$ 109,530</u>
Adjusted EBITDA¹		
Americas Adhesives	\$ 127,124	\$ 99,002
EIMEA	62,554	44,965
Asia Pacific	19,833	18,438
Construction Products	59,374	15,947
Engineering Adhesives	54,404	22,962
Total H.B. Fuller	<u>\$ 323,289</u>	<u>\$ 201,314</u>
Adjusted EBITDA Margin¹		
Americas Adhesives	15.5%	15.1%
EIMEA	11.3%	11.3%
Asia Pacific	9.6%	9.7%
Construction Products	17.5%	8.9%
Engineering Adhesives	15.6%	11.1%
Total H.B. Fuller	<u>14.2%</u>	<u>12.4%</u>



Regulation G – Adjusted Gross Margin and SG&A

	Three Months Ended		Nine Months Ended	
	September 1,	September 2,	September 1,	September 2,
Net revenue	770,107	562,869	2,272,573	1,627,843
Gross profit	\$ 217,204	\$ 150,400	\$ 627,294	\$ 435,434
Gross profit margin	28.2%	26.7%	27.6%	26.7%
Adjustments:				
Acquisition project costs	1,822	1,400	1,995	2,942
Organizational realignment	615	622	1,212	11,011
Royal restructuring and integration	1,395		2,303	
Tax reform				
Other				
Adjusted gross profit	<u>\$ 221,036</u>	<u>\$ 152,422</u>	<u>\$ 632,804</u>	<u>\$ 449,387</u>
Adjusted gross profit margin	28.7%	27.1%	27.8%	27.6%
Selling, general and administrative expenses	\$ (146,069)	\$ (110,219)	\$ (442,288)	\$ (325,904)
Adjustments:				
Acquisition project costs	279	544	1,113	2,201
Tonsan call option agreement	2	1,150	(2,323)	(2,453)
Organizational realignment	413	870	998	7,934
Royal restructuring and integration	5,101	5,431	18,256	5,431
Other	2,565	1,800	6,293	5,728
Adjusted selling, general and administrative	<u>\$ (137,709)</u>	<u>\$ (100,424)</u>	<u>\$ (417,951)</u>	<u>\$ (307,063)</u>



Regulation G – Q3 18 Segment EBITDA Recon

	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	\$ 34,816	\$ 8,758	\$ 3,694	\$ 12,767	\$ 11,100	\$ 71,135	\$ (33,405)	\$ 37,730
Adjustments:								
Acquisition project costs	2,036	26	12	13	13	2,100	(556)	1,544
Tonsan call option agreement	-	-	-	-	2	2	108	110
Organizational realignment	7	623	3	393	3	1,029	(150)	879
Royal restructuring and integration	2,123	1,286	429	1,902	756	6,496	(1,332)	5,164
Other	972	642	306	323	322	2,565	(3,326)	(761)
Adjusted net income attributable to H.B. Fuller	39,954	11,335	4,444	15,398	12,196	83,327	(38,661)	44,666
Add:								
Interest expense, net	-	-	-	-	-	-	24,816	24,816
Income taxes	-	-	-	-	-	-	14,664	14,664
Depreciation expense	4,510	5,492	1,649	2,887	2,469	17,007	-	17,007
Amortization expense	6,500	2,331	487	5,231	4,567	19,116	-	19,116
Adjusted EBITDA ¹	<u>\$ 50,964</u>	<u>\$ 19,158</u>	<u>\$ 6,580</u>	<u>\$ 23,516</u>	<u>\$ 19,232</u>	<u>\$ 119,450</u>	<u>\$ 819</u>	<u>\$ 120,269</u>



Regulation G – YTD Q3 18 Segment EBITDA Recon

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Nine Months Ended September 1, 2018	\$ 84,934	\$ 30,636	\$ 11,056	\$ 25,705	\$ 32,675	\$ 185,006	\$ (55,143)	\$ 129,863
Net income attributable to H.B. Fuller								
Adjustments:								
Acquisition project costs	2,878	73	35	37	84	3,107	(892)	2,215
Tonsan call option agreement	-	-	-	-	(2,323)	(2,323)	264	(2,059)
Organizational realignment	187	1,340	5	673	6	2,211	100	2,311
Royal restructuring and integration	7,140	4,596	1,524	4,518	2,781	20,559	(6,081)	14,478
Tax reform	-	-	-	-	-	-	(35,555)	(35,555)
Other	2,398	1,570	748	787	790	6,293	(8,150)	(1,857)
Adjusted net income attributable to H.B. Fuller	97,537	38,215	13,368	31,720	34,013	214,853	(105,457)	109,396
Add:								
Interest expense	-	-	-	-	-	-	74,387	74,387
Income taxes	-	-	-	-	-	-	35,962	35,962
Depreciation expense	13,123	16,688	4,975	8,562	7,453	50,801	-	50,801
Amortization expense	16,464	7,651	1,490	19,092	12,938	57,635	-	57,635
Adjusted EBITDA ¹	<u>\$ 127,124</u>	<u>\$ 62,554</u>	<u>\$ 19,833</u>	<u>\$ 59,374</u>	<u>\$ 54,404</u>	<u>\$ 323,289</u>	<u>\$ 4,892</u>	<u>\$ 328,181</u>



Regulation G – Q3 17 Segment EBITDA Recon

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Unallocated	H.B. Fuller Consolidated
Three Months Ended September 2, 2017	\$ 25,434	\$ 8,873	\$ 2,793	\$ (698)	\$ 3,779	\$ 40,181	\$ (15,043)	\$ 25,138
Net income attributable to H.B. Fuller								
Adjustments:								
Acquisition project costs	1,703	108	43	45	45	1,944	(678)	1,266
Tonsan call option agreements	-	-	-	-	1,149	1,149	73	1,222
Organizational realignment	283	926	44	164	75	1,492	(660)	832
Royal Restructuring	2,059	1,359	647	682	684	5,431	(1,901)	3,530
Other	683	450	214	226	227	1,800	(470)	1,330
Adjusted net income attributable to H.B. Fuller	30,162	11,716	3,741	419	5,959	51,997	(18,679)	33,318
Add:								
Interest expense	-	-	-	-	-	-	7,276	7,276
Income taxes	-	-	-	-	-	-	12,971	12,971
Depreciation expense	3,401	3,955	1,492	1,892	1,592	12,332	-	12,332
Amortization expense	1,798	1,137	415	2,301	2,248	7,899	-	7,899
Adjusted EBITDA ¹	<u>\$ 35,361</u>	<u>\$ 16,808</u>	<u>\$ 5,648</u>	<u>\$ 4,612</u>	<u>\$ 9,799</u>	<u>\$ 72,228</u>	<u>\$ 1,568</u>	<u>\$ 73,796</u>



Regulation G – YTD Q3 17 Segment EBITDA Recon

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Unallocated	H.B. Fuller Consolidated
Nine Months Ended September 2, 2017	\$ 72,921	\$ 18,753	\$ 9,423	\$ (3,234)	\$ 11,667	\$ 109,530	\$ (43,730)	\$ 65,800
Net income attributable to H.B. Fuller								
Adjustments:								
Acquisition project costs	4,143	430	185	192	193	5,143	(1,780)	3,363
Tonsan call option agreement	-	-	-	-	(2,453)	(2,453)	212	(2,241)
Organizational realignment	2,314	8,459	1,755	5,622	795	18,945	(4,114)	14,831
Royal Restructuring	2,059	1,359	647	682	684	5,431	(1,901)	3,530
Other	2,172	1,433	683	719	721	5,728	(1,000)	4,728
Adjusted net income attributable to H.B. Fuller	83,609	30,434	12,693	3,981	11,607	142,324	(52,313)	90,011
Add:								
Interest expense, net	-	-	-	-	-	-	22,248	22,248
Income taxes	-	-	-	-	-	-	34,974	34,974
Depreciation expense	10,434	11,260	4,452	5,054	4,662	35,862	-	35,862
Amortization expense	4,959	3,271	1,293	6,912	6,693	23,128	-	23,128
Adjusted EBITDA ¹	<u>\$ 99,002</u>	<u>\$ 44,965</u>	<u>\$ 18,438</u>	<u>\$ 15,947</u>	<u>\$ 22,962</u>	<u>\$ 201,314</u>	<u>\$ 4,909</u>	<u>\$ 206,223</u>



Revenue Growth Components

Three Months Ended September 1, 2018

	<u>Americas Adhesives</u>	<u>EIMEA</u>	<u>Asia Pacific</u>	<u>Construction Adhesives</u>	<u>Engineering Adhesives</u>	<u>Total HBF</u>
Price	5.5%	5.1%	1.7%	0.5%	7.0%	4.6%
Volume	(5.0%)	0.4%	1.1%	5.2%	6.1%	(0.5%)
Mix	1.2%	0.7%	(0.1%)	(1.0%)	1.3%	0.7%
Acquisition	24.4%	29.3%	1.9%	100.5%	48.4%	34.2%
Constant Currency Growth ⁶	26.1%	35.5%	4.6%	105.2%	62.8%	39.0%
F/X	(3.8%)	(3.0%)	0.0%	(0.1%)	0.6%	(2.2%)
	<u>22.3%</u>	<u>32.5%</u>	<u>4.6%</u>	<u>105.1%</u>	<u>63.4%</u>	<u>36.8%</u>

Nine Months Ended September 1, 2018

	<u>Americas Adhesives</u>	<u>EIMEA</u>	<u>Asia Pacific</u>	<u>Construction Adhesives</u>	<u>Engineering Adhesives</u>	<u>Total HBF</u>
Price	3.3%	4.4%	1.1%	(0.1%)	6.1%	3.3%
Volume	(3.1%)	(0.1%)	2.4%	0.3%	6.5%	(0.2%)
Mix	1.0%	0.4%	(0.4%)	(0.4%)	1.5%	0.6%
Acquisition	26.1%	29.5%	1.7%	88.8%	49.3%	34.0%
Constant Currency Growth ⁶	27.3%	34.2%	4.8%	88.6%	63.4%	37.7%
F/X	(1.6%)	5.5%	4.0%	0.6%	5.1%	1.9%
	<u>25.7%</u>	<u>39.7%</u>	<u>8.8%</u>	<u>89.2%</u>	<u>68.5%</u>	<u>39.6%</u>



Investor contact:
Vice President, Investor Relations
H.B. Fuller
Barbara Doyle
(651) 236-5023

