

Second Quarter 2018 Conference Call Investor Presentation

St. Paul, MN
June 28, 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

Q2 Highlights

- Very strong quarter and another milestone towards 2020
- Both legacy H.B. Fuller and Royal businesses performing well and synergy delivery creating improved results
- Revenue growth of 8% vs proforma 2017
- Adjusted gross margin improved 30bps YOY
- Adjusted EBITDA of \$123 million, in-line with guidance



2018 Focus Areas

Annual Imperatives

- Realize \$50 million in pricing, as communicated, 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

Q2 Achievements

- Met goal by realized solid pricing during quarter, in-line with annual target
- Achieved \$4 million of synergy in Q2, and \$6 million year-to-date
- Generated operating cash flow of \$54 million while building up inventory and reduced debt by \$36 million



Q2 2018 Segment Summary

EIMEA

- Organic growth +4% YOY
- Adjusted EBITDA margin up 160 bps to 13%

Americas Adhesives

- Revenue growth +1% YOY
- Adjusted EBITDA margin up significantly to 16%

Asia Pacific

- Net Revenue Growth +15% YOY
- Adjusted EBITDA margin down YOY due to RM inflation

Engineering Adhesives

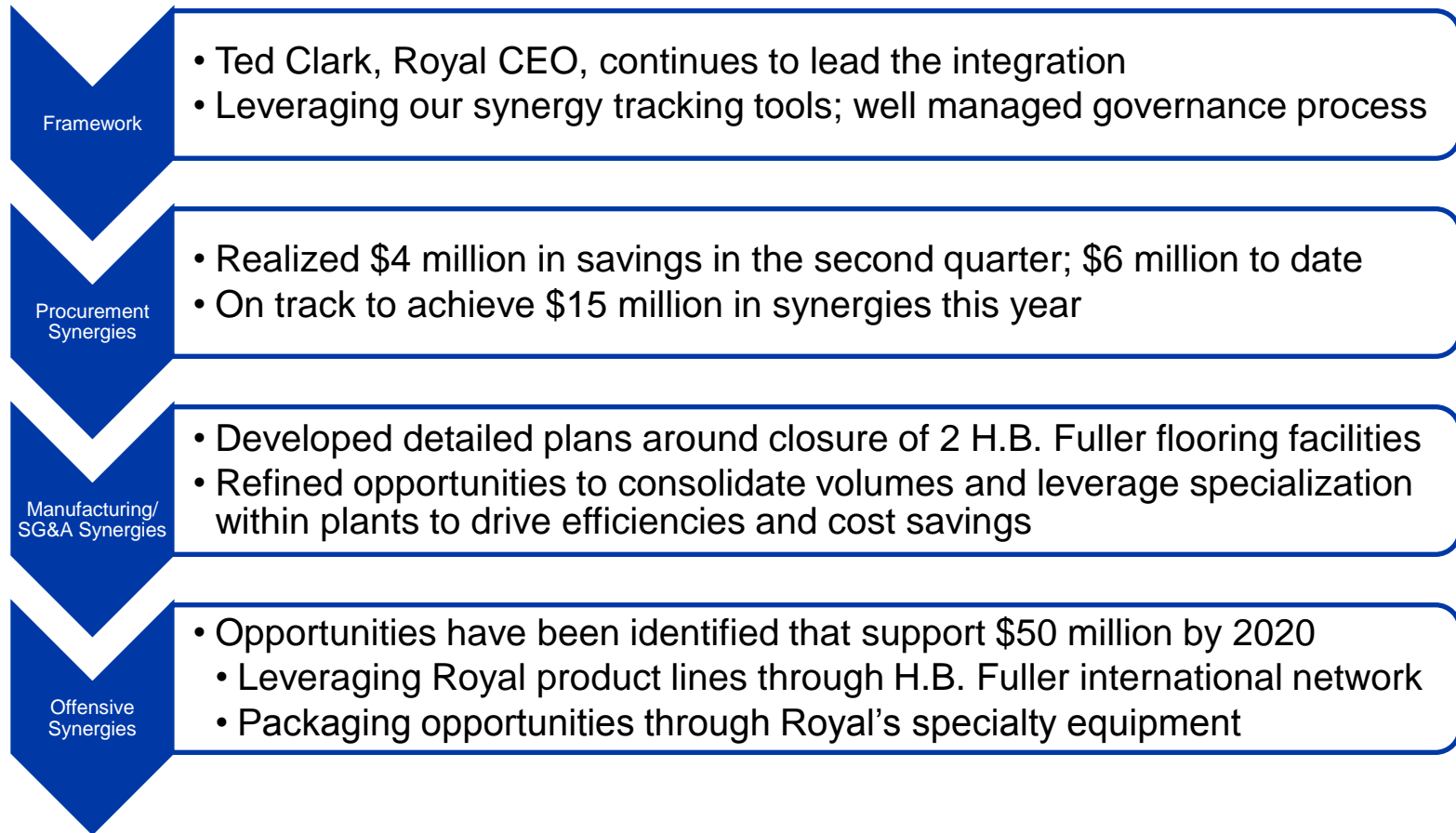
- Organic growth up mid-teens
- Adjusted EBITDA margin of 16%, up 100bps YOY

Construction Adhesives

- Proforma net revenue essentially flat YOY
- Adjusted EBITDA margin of ~20%



Royal Integration



The Royal integration has proceeded exactly as expected and is creating significant shareholder value



Q2 2018 Financial Results Summary

- 8% revenue growth vs proforma 2017, including +4% from currency, with price a significant contributor at more than 3%
- Adjusted gross margin improved 30bps YOY and 190bps sequentially, a solid result given timing of last year's inflation
- Adjusted SG&A up 6% vs proforma 2017 on currency and acquisitions. Down 30bps as a percentage of revenue due to sales leverage and overall cost controls
- Adjusted EBITDA of \$123 million, up 12% YOY and in-line with expectations
 - Revised EBITDA definition includes joint venture earnings and non-operating income and expenses
- Q2 2018 adjusted EPS of \$0.89, up 44% YOY due to pricing and solid revenue growth



Fiscal Year 2018 Guidance

- 5-6% revenue growth for the remainder of year, proforma for Royal
 - Good growth across all segments driven by pricing to offset raw material inflation in 2017
 - Currency neutral in second half
- Adjusted EBITDA of ~\$470 million, 13% growth on proforma basis, expect ~\$125 million of adjusted EBITDA in Q3 2018
 - Tax rate of 25-27% based on legislation changes
- Capex expectation of ~\$80 million
 - Free cash flow generation to pay down \$170 million of debt
- EPS guidance range narrowed to \$3.15-\$3.40, expect to deliver \$0.90 in Q3 2018



Wrap-Up

- Great Q2, 2018 is progressing well
- We are well on our way to successfully integrating the Royal business
 - Secured a significant percentage of raw material synergy
 - Created plan for manufacturing synergies
 - Received first orders related to revenue synergies
- Solid organic growth in both legacy H.B. Fuller and Royal businesses
- Pricing actions to drive margin enhancement as the year progresses
- On track to deliver \$470 million of EBITDA in 2018 and create significant shareholder value



We look forward to seeing you at our Investor Day



Presenters

Jim Owens

President and CEO

John Corkrean

EVP and CFO

Ted Clark

SVP, Royal Adhesives

Zhiwei Cai

SVP, Engineering Adhesives

We invite you to join us for our 2018 Investor Day

During this special, invitation-only event, we will present our path to \$600 million in EBITDA by 2020, and discuss how we will capitalize on the synergies from our recent acquisitions.

Agenda: The agenda includes end-market and geographically-focused sessions and discussions, Q&A and networking with the H.B. Fuller executive leadership team.

8-9 a.m. – Breakfast (optional)

9 a.m.-12 p.m. – Executive Presentations and Q&A

12-1 p.m. – Lunch and Networking

Venue: Grand Hyatt Hotel
109 E. 42nd Street, New York City
(42nd Street between Park Ave. and Lexington Ave.)

Regulation G – EPS & EBITDA Reconciliation

	Three Months Ended		Six Months Ended	
	June 2, 2018	June 3, 2017	June 2, 2018	June 3, 2017
Net income attributable to H.B. Fuller	\$ 44,451	\$ 25,867	\$ 92,133	\$ 40,662
Acquisition project costs	297	855	672	1,499
Tonsan call option agreement	(2,294)	(3,569)	(2,170)	(3,462)
Organizational realignment	725	6,156	1,432	14,598
Royal restructuring and integration	4,344	-	9,314	-
Tax reform	-	-	(35,555)	-
Other	(1,145)	2,495	(1,095)	3,397
Adjusted net income attributable to H.B. Fuller	46,378	31,804	64,731	56,694
Add:				
Interest expense, net	25,144	7,258	49,571	14,974
Income taxes	15,565	12,270	21,298	22,003
Depreciation expense	16,372	12,012	33,794	23,530
Amortization expense	19,276	7,874	38,519	15,229
Adjusted EBITDA	122,735	71,218	207,913	132,430
Diluted Shares	51,846	51,686	51,872	51,573
Adjusted diluted income per common share attributable to H.B. Fuller	\$ 0.89	\$ 0.62	\$ 1.25	\$ 1.10
Revenue	\$ 789,387	\$ 561,651	\$ 1,502,466	\$ 1,064,974
Adjusted EBITDA margin	15.5%	12.7%	13.8%	12.4%



Regulation G – Q2 Segment Information

	Three Months Ended June 2, 2018	Three Months Ended June 3, 2017
Net Revenue:		
Americas Adhesives	\$ 277,992	\$ 229,622
EIMEA	193,427	135,226
Asia Pacific	74,326	64,466
Construction Adhesives	121,795	63,754
Engineering Adhesives	121,847	68,583
Total H.B. Fuller	<u>\$ 789,387</u>	<u>\$ 561,651</u>
Segment Operating Income:		
Americas Adhesives	\$ 32,607	\$ 26,455
EIMEA	14,040	8,083
Asia Pacific	5,040	4,751
Construction Adhesives	11,673	(1,853)
Engineering Adhesives	13,826	5,832
Total H.B. Fuller	<u>\$ 77,186</u>	<u>\$ 43,268</u>
Adjusted EBITDA¹		
Americas Adhesives	\$ 44,412	\$ 34,750
EIMEA	24,995	15,034
Asia Pacific	7,961	7,038
Construction Adhesives	23,356	6,837
Engineering Adhesives	19,143	6,417
Corporate Unallocated	2,868	1,142
Total H.B. Fuller	<u>\$ 122,735</u>	<u>\$ 71,218</u>
Adjusted EBITDA Margin¹		
Americas Adhesives	16.0%	15.1%
EIMEA	12.9%	11.1%
Asia Pacific	10.7%	10.9%
Construction Adhesives	19.2%	10.7%
Engineering Adhesives	15.7%	9.4%
Total H.B. Fuller	<u>15.5%</u>	<u>12.7%</u>



Regulation G – YTD Q2 Segment Information

	Six Months Ended June 2, 2018	Six Months Ended June 3, 2017
Net Revenue:		
Americas Adhesives	\$ 539,323	\$ 422,784
EIMEA	372,010	259,265
Asia Pacific	141,000	127,112
Construction Products	219,039	120,800
Engineering Adhesives	231,094	135,013
Total H.B. Fuller	<u>\$ 1,502,466</u>	<u>\$ 1,064,974</u>
Segment Operating Income:		
Americas Adhesives	\$ 50,118	\$ 47,488
EIMEA	21,878	9,880
Asia Pacific	7,362	6,630
Construction Products	12,938	(2,536)
Engineering Adhesives	21,575	7,887
Total H.B. Fuller	<u>\$ 113,871</u>	<u>\$ 69,349</u>
Adjusted EBITDA¹		
Americas Adhesives	\$ 76,160	\$ 63,617
EIMEA	43,395	28,111
Asia Pacific	13,253	12,783
Construction Products	35,858	11,327
Engineering Adhesives	35,172	13,185
Corporate Unallocated	4,075	3,407
Total H.B. Fuller	<u>\$ 207,913</u>	<u>\$ 132,430</u>
Adjusted EBITDA Margin¹		
Americas Adhesives	14.1%	15.0%
EIMEA	11.7%	10.8%
Asia Pacific	9.4%	10.1%
Construction Products	16.4%	9.4%
Engineering Adhesives	15.2%	9.8%
Total H.B. Fuller	<u>13.8%</u>	<u>12.4%</u>



Regulation G – Adjusted Gross Margin and SG&A

	Three Months Ended		Six Months Ended	
	June 2, 2018	June 3, 2017	June 2, 2018	June 3, 2017
Net revenue	789,387	561,651	1,502,466	1,064,974
Gross profit	\$ 222,385	\$ 146,038	\$ 410,090	\$ 285,034
Gross profit margin	28.2%	26.0%	27.3%	26.8%
Adjustments:				
Acquisition project costs	70	831	173	1,024
Tonsan call option agreement				
Organizational realignment	431	5,944	597	10,907
Royal restructuring and integration	619		908	
Adjusted gross profit	<u>\$ 223,505</u>	<u>\$ 152,813</u>	<u>\$ 411,768</u>	<u>\$ 296,965</u>
Adjusted gross profit margin	28.3%	27.2%	27.4%	27.9%

	Three Months Ended		Six Months Ended	
	June 2, 2018	June 3, 2017	June 2, 2018	June 3, 2017
Selling, general and administrative expenses	\$ (145,199)	\$ (102,770)	\$ (296,219)	\$ (215,685)
Adjustments:				
Acquisition project costs	379	459	834	1,255
Tonsan call option agreement	(2,373)	(3,639)	(2,326)	(3,603)
Organizational realignment	406	851	585	7,465
Royal restructuring and integration	5,924		13,156	
Other	1,579	2,540	3,729	3,930
Adjusted selling, general and administrative expenses	<u>\$ (139,284)</u>	<u>\$ (102,559)</u>	<u>\$ (280,241)</u>	<u>\$ (206,638)</u>



Regulation G – Q2 18 Segment EBITDA Recon

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Three Months Ended June 2, 2018	\$ 32,607	\$ 14,040	\$ 5,040	\$ 11,673	\$ 13,826	\$ 77,186	\$ (32,735)	\$ 44,451
Net income attributable to H.B. Fuller								
Adjustments:								
Acquisition project costs	352	34	16	17	29	448	(151)	297
Tonsan call option agreement	-	-	-	-	(2,373)	(2,373)	79	(2,294)
Organizational realignment	54	655	-	129	-	838	(113)	725
Royal restructuring and integration	2,137	1,730	555	1,200	922	6,544	(2,200)	4,344
Other	610	390	186	196	194	1,576	(2,721)	(1,145)
Adjusted net income attributable to H.B. Fuller	35,760	16,849	5,797	13,215	12,598	84,219	(37,841)	46,378
Add:								
Interest expense, net	-	-	-	-	-	-	25,144	25,144
Income taxes	-	-	-	-	-	-	15,565	15,565
Depreciation expense	4,144	5,478	1,646	2,654	2,450	16,372	-	16,372
Amortization expense	4,508	2,668	519	7,487	4,095	19,276	-	19,276
Adjusted EBITDA ¹	<u>\$ 44,412</u>	<u>\$ 24,995</u>	<u>\$ 7,961</u>	<u>\$ 23,356</u>	<u>\$ 19,143</u>	<u>\$ 119,867</u>	<u>\$ 2,868</u>	<u>\$ 122,735</u>



Regulation G – YTD Q2 18 Segment EBITDA Recon

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Six Months Ended								
June 2, 2018	\$ 50,118	\$ 21,878	\$ 7,362	\$ 12,938	\$ 21,575	\$ 113,871	\$ (21,738)	\$ 92,133
Net income attributable to H.B. Fuller								
Adjustments:								
Acquisition project costs	843	47	22	24	71	1,007	(335)	672
Tonsan call option agreement	-	-	-	-	(2,326)	(2,326)	156	(2,170)
Organizational realignment	179	717	3	279	3	1,181	251	1,432
Royal restructuring and integration	5,016	3,309	1,095	2,616	2,026	14,062	(4,748)	9,314
Tax reform	-	-	-	-	-	-	(35,555)	(35,555)
Other	1,429	929	442	464	468	3,732	(4,827)	(1,095)
Adjusted net income attributable to H.B. Fuller	57,585	26,880	8,924	16,321	21,817	131,527	(66,796)	64,731
Add:								
Interest expense, net	-	-	-	-	-	-	49,571	49,571
Income taxes	-	-	-	-	-	-	21,298	21,298
Depreciation expense	8,614	11,194	3,326	5,675	4,985	33,794	-	33,794
Amortization expense	9,964	5,320	1,003	13,862	8,370	38,519	-	38,519
Adjusted EBITDA ¹	<u>\$ 76,162</u>	<u>\$ 43,395</u>	<u>\$ 13,253</u>	<u>\$ 35,858</u>	<u>\$ 35,172</u>	<u>\$ 203,839</u>	<u>\$ 4,073</u>	<u>\$ 207,913</u>



Regulation G – Q2 17 Segment EBITDA Recon

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Unallocated	H.B. Fuller Consolidated
Three Months Ended								
June 3, 2017								
Net income attributable to H.B. Fuller	\$ 26,456	\$ 8,083	\$ 4,751	\$ (1,853)	\$ 5,832	\$ 43,268	\$ (17,401)	\$ 25,867
Adjustments:								
Acquisition project costs	1,027	124	45	47	48	1,291	(436)	855
Tonsan call option agreement	-	-	-	-	(3,639)	(3,639)	70	(3,569)
Organizational realignment	984	1,495	22	4,209	85	6,795	(639)	6,156
Other	899	606	302	319	348	2,474	21	2,495
Adjusted net income attributable to H.B. Fuller	29,366	10,308	5,120	2,722	2,674	50,189	(18,385)	31,804
Add:								
Interest expense, net	-	-	-	-	-	-	7,258	7,258
Income taxes	-	-	-	-	-	-	12,270	12,270
Depreciation expense	3,472	3,671	1,498	1,828	1,543	12,012	-	12,012
Amortization expense	1,912	1,055	420	2,287	2,200	7,874	-	7,874
Adjusted EBITDA ¹	<u>\$ 34,750</u>	<u>\$ 15,034</u>	<u>\$ 7,038</u>	<u>\$ 6,837</u>	<u>\$ 6,417</u>	<u>\$ 70,075</u>	<u>\$ 1,143</u>	<u>\$ 71,218</u>



Regulation G – YTD Q2 17 Segment EBITDA Recon

	Americas Adhesives	EIMEA	Asia Pacific	Construction Adhesives	Engineering Adhesives	Total	Unallocated	H.B. Fuller Consolidated
Six Months Ended								
June 3, 2017	\$ 47,488	\$ 9,880	\$ 6,630	\$ (2,536)	\$ 7,887	\$ 69,349	\$ (28,687)	\$ 40,662
Net income attributable to H.B. Fuller								
Adjustments:								
Acquisition project costs	1,521	323	142	147	147	2,280	(781)	1,499
Tonsan call option agreement	-	-	-	-	(3,603)	(3,603)	141	(3,462)
Organizational realignment	2,951	7,532	1,711	5,458	721	18,373	(3,775)	14,598
Other	1,466	927	470	485	517	3,865	(468)	3,397
Adjusted net income attributable to H.B. Fuller	53,426	18,662	8,953	3,554	5,669	90,264	(33,570)	56,694
Add:								
Interest expense, net	-	-	-	-	-	-	14,974	14,974
Income taxes	-	-	-	-	-	-	22,003	22,003
Depreciation expense	7,033	7,315	2,950	3,161	3,071	23,530	-	23,530
Amortization expense	3,158	2,134	880	4,612	4,445	15,229	-	15,229
Adjusted EBITDA ¹	<u>\$ 63,617</u>	<u>\$ 28,111</u>	<u>\$ 12,783</u>	<u>\$ 11,327</u>	<u>\$ 13,185</u>	<u>\$ 129,023</u>	<u>\$ 3,407</u>	<u>\$ 132,430</u>



Revenue Growth Components

Three Months Ended June 2, 2018

	<u>Americas Adhesives</u>	<u>EIMEA</u>	<u>Asia Pacific</u>	<u>Construction Products</u>	<u>Engineering Adhesives</u>	<u>Total HBF</u>
Price	3.1%	4.8%	0.6%	(0.6%)	6.8%	3.2%
Volume	(5.2%)	(1.5%)	7.4%	(0.2%)	9.3%	(0.5%)
Mix	1.2%	0.5%	(0.7%)	0.5%	1.2%	0.7%
Acquisition	<u>23.1%</u>	<u>29.9%</u>	<u>1.4%</u>	<u>90.5%</u>	<u>52.5%</u>	<u>33.5%</u>
Constant Currency Growth ⁶	22.2%	33.7%	8.7%	90.2%	69.8%	36.9%
F/X	(1.1%)	9.3%	6.6%	0.8%	7.9%	3.6%
	<u>21.1%</u>	<u>43.0%</u>	<u>15.3%</u>	<u>91.0%</u>	<u>77.7%</u>	<u>40.5%</u>

Six Months Ended June 2, 2018

	<u>Americas Adhesives</u>	<u>EIMEA</u>	<u>Asia Pacific</u>	<u>Construction Products</u>	<u>Engineering Adhesives</u>	<u>Total HBF</u>
Price	2.1%	4.0%	0.7%	(0.4%)	5.7%	2.6%
Volume	(2.0%)	(0.5%)	3.0%	(2.0%)	7.6%	0.1%
Mix	0.9%	0.3%	(0.4%)	(0.1%)	1.7%	0.6%
Acquisition	<u>27.1%</u>	<u>29.7%</u>	<u>1.7%</u>	<u>82.9%</u>	<u>49.8%</u>	<u>33.9%</u>
Constant Currency Growth ⁶	28.1%	33.5%	5.0%	80.4%	64.8%	37.2%
F/X	(0.5%)	10.0%	5.9%	0.9%	6.4%	3.9%
	<u>27.6%</u>	<u>43.5%</u>	<u>10.9%</u>	<u>81.3%</u>	<u>71.2%</u>	<u>41.1%</u>

