

# Fourth Quarter 2015 Conference Call Investor Presentation

St. Paul, MN  
January 14, 2016



**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

During today's meeting we will be discussing certain non-GAAP financial measures, specifically, segment operating income, adjusted earnings per diluted share, earnings before interest, taxes, and depreciation and amortization expense (EBITDA). Segment operating income is defined as gross profit less SG&A expense; EBITDA is defined as gross profit less SG&A expense, plus depreciation and amortization; and adjusted financials are defined according to the earnings release issued. Management believes that a discussion of these measures is useful to investors because it assists in understanding the operating performance of the Company and its operating segments and in understanding the comparability of results. The non-GAAP information discussed may not be consistent with the methodologies used by other companies. All non-GAAP information is reconciled with reported GAAP results on the last pages of this presentation.

## Additional Information

For more information, please refer to our recent press release and annual report for the year ended November 29, 2014 on form 10K, filed with the Securities and Exchange Commission; which are available on our website at [www.hbfuller.com](http://www.hbfuller.com) under the "Investor Relations" section.



# 2015 Business Summary

Q4 EBITDA margin of 14.4%

## Full-year Highlights

- Successfully integrated TONSAN

- Successfully drove raw material cost down

- Stabilized North America and EIMEA supply chains

- Dramatically grew CP revenue and improved margins

- Strong cash flow generation

## Full-year Lowlights

- Soft revenue in Americas segment

- High cost and slow pace of EIMEA improvement



# Segment Summary

## *2015 Performance & 2016 Plan*

### **Americas Adhesives**

- Volume down, trend improving
- Solid margin management; adjusted EBITDA 17%
- Continued raw material benefits expected in 2016

### **Construction Products**

- Revenue growth of over 20% for the 2015 year
- Adjusted EBITDA margin of 14.4% in 2015, up 300 bps
- 2016 revenue growth in high single digits and profitability slightly improved

### **EIMEA**

- Adjusted EBITDA margin trend positive through FY 2015
- Modest constant currency revenue growth, offset by negative FX in 2016

### **Asia Pacific**

- Revenue growth of over 30% driven by TONSAN
- Adjusted EBITDA margin of 11.3%, up 410 bps YOY
- Revenue growth in 2016 of over 10 percent driven by all end-markets and geographies



# Financial Performance

Solid operating cash flow of \$57 million, or \$211 million for the year, driven by lower special charges and lower non-recurring items

Strong cash flow enabled a net debt reduction of \$38 million and drove key debt to EBITDA metric to 2.9X

CapEx of \$10 million, \$59 million in 2015 fiscal year

Awarded monetary relief from Accenture of \$14 million

EBITDA margin improved YOY in 3 of 4 segments during the quarter and for the year

Q4 adjusted EPS of \$0.69, solid operational result



# FY 16 Guidance

Constant currency revenue growth of ~4%

Negative 3% impact due to currency

Results in net revenue growth of ~1%

TONSAN and extra week each add about 1%

Gross margin expansion, approaching 30% by Q4

SG&A growth in excess of revenue growth to support growth initiatives globally

EBITDA of \$290 million, just under 14% of revenue

Core tax rate down to 33%, Capex of \$60 million

EPS guidance range of \$2.40 - \$2.60



## Wrap-Up

Eventful momentum building 2015 fiscal year

Significant operational improvements

- Successfully Integrated TONSAN

- Delivered 5% constant currency growth

- Generated improvements in Americas and EIMEA

Each segment ended FY 2015 over 10% EBITDA margin; 2015 EBITDA margin up 100bps to 12.8%

2016 plan set for growth and further margin improvement

Investor event planned on February 3 in New York to provide comprehensive business update and discuss 2020 strategic plan





**H.B. Fuller**





# Regulation G – Q4 2015 Proforma P&L

	13 Weeks Ended		% of	Adjusted		% of
	November 28, 2015		Net	13 Weeks Ended		Net
	Revenue	Adjustments		Revenue	Adjustments	
Net revenue	\$ 548,104	\$ 47	100.0%	\$ 548,151		100.0%
Cost of sales	(392,044)	(1,033)	(71.5%)	(391,011)		(71.3%)
Gross profit	156,060	(1,080)	28.5%	157,140		28.7%
Selling, general and administrative expenses	(103,846)	(6,326)	(18.9%)	(97,520)		(17.8%)
Acquisition and transformation related costs	(120)					
Workforce reduction costs	39					
Facility exit costs	19					
Special charges, net	(62)	(62)	(0.0%)	-		0.0%
Other income (expense), net	(1,219)	-	(0.2%)	(1,219)		(0.2%)
Interest expense	(6,256)	(75)	(1.1%)	(6,181)		(1.1%)
Income before income taxes and income from equity method investments	44,677	(7,543)	8.2%	52,220		9.5%
Income taxes	(21,327)	(2,636)	(3.9%)	(18,691)		(3.4%)
- Effective tax rate	47.7%			35.8%		
Income from equity method investments	1,750	-	0.3%	1,750		0.3%
Net income including non-controlling interests	25,100	(10,179)	4.6%	35,279		6.4%
Net income attributable to non-controlling interests	(109)	-	(0.0%)	(109)		(0.0%)
Net income attributable to H.B. Fuller	\$ 24,991	\$ (10,179)	4.6%	\$ 35,170		6.4%
Basic income per common share attributable to H.B. Fuller	\$ 0.50	\$ (0.20)		\$ 0.70		
Diluted income per common share attributable to H.B. Fuller	\$ 0.49	\$ (0.20)		\$ 0.69 <sup>1</sup>		
Weighted-average common shares outstanding:						
Basic	50,143	50,143		50,143		
Diluted	51,194	51,194		51,194		



# Regulation G – Q4 2014 Proforma P&L

	<u>13 Weeks Ended November 29, 2014</u>	<u>% of Net Revenue</u>	<u>Adjustments</u>	<u>Adjusted 13 Weeks Ended November 29, 2014</u>	<u>% of Net Revenue</u>
Net revenue	\$ 547,674	100.0%	\$ -	\$ 547,674	100.0%
Cost of sales	<u>(415,238)</u>	<u>(75.8%)</u>	<u>(3,453)</u>	<u>(411,785)</u>	<u>(75.2%)</u>
Gross profit	132,436	24.2%	(3,453)	135,889	24.8%
Selling, general and administrative expenses	(93,499)	(17.1%)	(7,023)	(86,476)	(15.8%)
Acquisition and transformation related costs	(1,796)				
Workforce reduction costs	(330)				
Facility exit costs	(10,796)				
Other related costs	<u>(964)</u>				
Special charges, net	(13,886)	(2.5%)	(13,886)	-	0.0%
Other income (expense), net	2,259	0.4%	-	2,259	0.4%
Interest expense	<u>(5,566)</u>	<u>(1.0%)</u>	<u>-</u>	<u>(5,566)</u>	<u>(1.0%)</u>
Income before income taxes and income from equity method investments	21,744	4.0%	(24,362)	46,106	8.4%
Income taxes	(10,934)	(2.0%)	4,027	(14,961)	(2.7%)
- Effective tax rate	50.3%		16.5%	32.4%	
Income from equity method investments	<u>(18)</u>	<u>(0.0%)</u>	<u>(1,743)</u>	<u>1,725</u>	<u>0.3%</u>
Net income including non-controlling interests	10,792	2.0%	(22,078)	32,870	6.0%
Net income attributable to non-controlling interests	<u>(114)</u>	<u>(0.0%)</u>	<u>-</u>	<u>(114)</u>	<u>(0.0%)</u>
Net income attributable to H.B. Fuller	<u>\$ 10,678</u>	<u>1.9%</u>	<u>\$ (22,078)</u>	<u>\$ 32,756</u>	<u>6.0%</u>
Basic income per common share attributable to H.B. Fuller	<u>\$ 0.21</u>		<u>\$ (0.44)</u>	<u>\$ 0.65</u>	
Diluted income per common share attributable to H.B. Fuller	<u>\$ 0.21</u>		<u>\$ (0.43)</u>	<u>\$ 0.64 <sup>1</sup></u>	
Weighted-average common shares outstanding:					
Basic	50,107		50,107	50,107	
Diluted	51,296		51,296	51,296	



# Regulation G – FY 2015 Proforma P&L

	<b>52 Weeks Ended November 28, 2015</b>	<b>% of Net Revenue</b>	<b>Adjustments</b>	<b>Adjusted 52 Weeks Ended November 28, 2015</b>	<b>% of Net Revenue</b>
Net revenue	\$ 2,083,660	100.0%	\$ 1,002	\$ 2,084,662	100.0%
Cost of sales	(1,515,617)	(72.7%)	(9,205)	(1,506,412)	(72.3%)
Gross profit	568,043	27.3%	(10,207)	578,250	27.7%
Selling, general and administrative expenses	(397,558)	(19.1%)	(12,245)	(385,313)	(18.5%)
Acquisition and transformation related costs	(715)				
Workforce reduction costs	37				
Facility exit costs	(3,664)				
Other related costs	(312)				
Special charges, net	(4,654)	(0.2%)	(4,654)	-	0.0%
Other income (expense), net	(2,465)	(0.1%)	-	(2,465)	(0.1%)
Interest expense	(25,021)	(1.2%)	(260)	(24,761)	(1.2%)
Income from continuing operations before income taxes and income from equity method investments	138,345	6.6%	(27,366)	165,711	7.9%
Income taxes	(55,855)	(2.7%)	3,935	(59,790)	(2.9%)
-Effective tax rate	40.4%		14.4%	36.1%	
Income from equity method investments	5,907	0.3%	-	5,907	0.3%
Income from continuing operations	88,397	4.2%	(23,431)	111,827	5.4%
Income from discontinued operations	(1,300)		(1,300)	-	
Net income including non-controlling interests	87,097		(24,731)	111,827	
Net income attributable to non-controlling interests	(417)	(0.0%)	-	(417)	(0.0%)
Net income attributable to H.B. Fuller	<u>\$ 86,680</u>	<u>4.2%</u>	<u>\$ (24,731)</u>	<u>\$ 111,410</u>	<u>5.3%</u>
Basic income per common share attributable to H.B. Fuller					
Income (loss) from continuing operations	1.75		(0.47)	2.22	
Income from discontinued operations	(0.03)		(0.03)	-	
Basic income per common share attributable to H.B. Fuller <sup>4, a</sup>	<u>\$ 1.72</u>		<u>\$ (0.49)</u>	<u>\$ 2.22</u>	
Diluted income per common share attributable to H.B. Fuller					
Income (loss) from continuing operations	1.71		(0.46)	2.17 <sup>1</sup>	
Income from discontinued operations	(0.03)		(0.03)	-	
Diluted income per common share attributable to H.B. Fuller <sup>4, a</sup>	<u>\$ 1.69</u>		<u>\$ (0.48)</u>	<u>\$ 2.17</u>	
Weighted-average common shares outstanding:					
Basic	50,274		50,274	50,274	
Diluted	51,393		51,393	51,393	



# Regulation G – FY 2014 Proforma P&L

	52 Weeks Ended		% of	Adjusted		% of
	November 29, 2014		Net	52 Weeks Ended		Net
		Revenue	Adjustments		Revenue	
Net revenue	\$ 2,104,454	100.0%	\$ -	\$ 2,104,454	100.0%	
Cost of sales	(1,571,164)	(74.7%)	(15,475)	(1,555,689)	(73.9%)	
Gross profit	533,290	25.3%	(15,475)	548,765	26.1%	
Selling, general and administrative expenses	(383,449)	(18.2%)	(17,525)	(365,924)	(17.4%)	
Acquisition and transformation related costs	(7,946)					
Workforce reduction costs	(3,233)					
Facility exit costs	(32,050)					
Other related costs	(8,272)					
Special charges	(51,501)	(2.4%)	(51,501)	-	0.0%	
Other income (expense), net	716	0.0%	-	716	0.0%	
Interest expense	(19,744)	(0.9%)	-	(19,744)	(0.9%)	
Income from before income taxes and income from equity method investments	79,312	3.8%	(84,501)	163,813	7.8%	
Income taxes	(34,348)	(1.6%)	16,438	(50,786)	(2.4%)	
- Effective tax rate	43.3%		19.5%	31.0%		
Income from equity method investments	5,187	0.2%	(1,743)	6,930	0.3%	
Net income including non-controlling interests	50,151	2.4%	(69,806)	119,957	5.7%	
Net income attributable to non-controlling interests	(378)	(0.0%)	-	(378)	(0.0%)	
Net income attributable to H.B. Fuller	\$ 49,773	2.4%	\$ (69,806)	\$ 119,579	5.7%	
Basic income per common share attributable to H.B. Fuller <sup>a</sup>	\$ 1.00		\$ (1.40)	\$ 2.39		
Diluted income per common share attributable to H.B. Fuller	\$ 0.97		\$ (1.36)	\$ 2.33 <sup>1</sup>		
Weighted-average common shares outstanding:						
Basic	50,006		50,006	50,006		
Diluted	51,255		51,255	51,255		



# Regulation G – Q4 Segment Information

	13 Weeks Ended November 28, 2015	13 Weeks Ended November 29, 2014
<b>Net Revenue</b>		
Americas Adhesives	\$ 225,497	\$ 236,371
EIMEA	158,548	181,094
Asia Pacific	107,765	78,967
Construction Products	56,294	51,242
Total H.B. Fuller	<u>\$ 548,104</u>	<u>\$ 547,674</u>
<b>Segment Operating Income<sup>6</sup></b>		
Americas Adhesives	\$ 37,126	\$ 24,390
EIMEA	6,403	8,786
Asia Pacific	5,414	4,874
Construction Products	3,271	887
Total H.B. Fuller	<u>\$ 52,214</u>	<u>\$ 38,937</u>
<b>Depreciation Expense</b>		
Americas Adhesives	\$ 4,305	\$ 4,374
EIMEA	4,426	4,823
Asia Pacific	2,579	1,395
Construction Products	1,285	1,070
Total H.B. Fuller	<u>\$ 12,595</u>	<u>\$ 11,662</u>
<b>Amortization Expense</b>		
Americas Adhesives	\$ 1,317	\$ 1,340
EIMEA	1,605	1,830
Asia Pacific	1,869	452
Construction Products	2,147	2,136
Total H.B. Fuller	<u>\$ 6,938</u>	<u>\$ 5,758</u>
<b>EBITDA<sup>7</sup></b>		
Americas Adhesives	\$ 42,748	\$ 30,104
EIMEA	12,434	15,439
Asia Pacific	9,862	6,721
Construction Products	6,703	4,093
Total H.B. Fuller	<u>\$ 71,747</u>	<u>\$ 56,357</u>
<b>Segment Operating Margin<sup>8</sup></b>		
Americas Adhesives	16.5%	10.3%
EIMEA	4.0%	4.9%
Asia Pacific	5.0%	6.2%
Construction Products	5.8%	1.7%
Total H.B. Fuller	<u>9.5%</u>	<u>7.1%</u>
<b>EBITDA Margin<sup>7</sup></b>		
Americas Adhesives	19.0%	12.7%
EIMEA	7.8%	8.5%
Asia Pacific	9.2%	8.5%
Construction Products	11.9%	8.0%
Total H.B. Fuller	<u>13.1%</u>	<u>10.3%</u>
<b>Adjusted EBITDA<sup>2</sup></b>		
Americas Adhesives	\$ 42,959	\$ 34,259
EIMEA	15,978	18,780
Asia Pacific	13,110	8,018
Construction Products	7,106	5,775
Total H.B. Fuller	<u>\$ 79,153</u>	<u>\$ 66,832</u>
<b>Adjusted EBITDA Margin<sup>2</sup></b>		
Americas Adhesives	19.1%	14.5%
EIMEA	10.1%	10.4%
Asia Pacific	12.2%	10.2%
Construction Products	12.6%	11.3%
Total H.B. Fuller	<u>14.4%</u>	<u>12.2%</u>



# Regulation G – FY 2015 Segment Information

	52 Weeks Ended November 28, 2015	52 Weeks Ended November 29, 2014
<b>Net Revenue</b>		
Americas Adhesives	\$ 876,810	\$ 920,679
EIMEA	605,064	719,787
Asia Pacific	368,736	275,809
Construction Products	233,050	188,179
Total H.B. Fuller	<u>\$ 2,083,660</u>	<u>\$ 2,104,454</u>
<b>Segment Operating Income<sup>6</sup></b>		
Americas Adhesives	\$ 126,272	\$ 103,339
EIMEA	11,881	30,521
Asia Pacific	17,174	9,317
Construction Products	15,158	6,664
Total H.B. Fuller	<u>\$ 170,485</u>	<u>\$ 149,841</u>
<b>Depreciation Expense</b>		
Americas Adhesives	\$ 16,874	\$ 16,658
EIMEA	16,987	16,718
Asia Pacific	9,484	5,325
Construction Products	4,561	3,754
Total H.B. Fuller	<u>\$ 47,906</u>	<u>\$ 42,455</u>
<b>Amortization Expense</b>		
Americas Adhesives	\$ 5,298	\$ 5,522
EIMEA	6,531	7,645
Asia Pacific	6,482	1,905
Construction Products	8,673	7,997
Total H.B. Fuller	<u>\$ 26,984</u>	<u>\$ 23,069</u>
<b>EBITDA<sup>7</sup></b>		
Americas Adhesives	\$ 148,444	\$ 125,519
EIMEA	35,399	54,884
Asia Pacific	33,140	16,547
Construction Products	28,392	18,415
Total H.B. Fuller	<u>\$ 245,375</u>	<u>\$ 215,365</u>
<b>Segment Operating Margin<sup>8</sup></b>		
Americas Adhesives	14.4%	11.2%
EIMEA	2.0%	4.2%
Asia Pacific	4.7%	3.4%
Construction Products	6.5%	3.5%
Total H.B. Fuller	<u>8.2%</u>	<u>7.1%</u>
<b>EBITDA Margin<sup>7</sup></b>		
Americas Adhesives	16.9%	13.6%
EIMEA	5.9%	7.6%
Asia Pacific	9.0%	6.0%
Construction Products	12.2%	9.8%
Total H.B. Fuller	<u>11.8%</u>	<u>10.2%</u>
<b>Adjusted EBITDA<sup>2</sup></b>		
Americas Adhesives	\$ 150,215	\$ 141,293
EIMEA	42,454	65,885
Asia Pacific	41,548	19,869
Construction Products	33,611	21,320
Total H.B. Fuller	<u>\$ 267,828</u>	<u>\$ 248,367</u>
<b>Adjusted EBITDA Margin<sup>2</sup></b>		
Americas Adhesives	17.1%	15.3%
EIMEA	7.0%	9.2%
Asia Pacific	11.3%	7.2%
Construction Products	14.4%	11.3%
Total H.B. Fuller	<u>12.8%</u>	<u>11.8%</u>



# Regulation G – Net Revenue Segment Information

## 13 Weeks Ended November 28, 2015

	<u>Americas Adhesives</u>	<u>EIMEA</u>	<u>Asia Pacific</u>	<u>Construction Products</u>	<u>Total HBF</u>
Price	(0.6%)	1.2%	(0.5%)	1.3%	0.2%
Volume	<u>(2.9%)</u>	<u>(4.3%)</u>	<u>46.1%</u>	<u>8.6%</u>	<u>4.8%</u>
Constant Currency Growth	(3.5%)	(3.1%)	45.6%	9.9%	5.0%
F/X	<u>(1.1%)</u>	<u>(9.4%)</u>	<u>(9.1%)</u>	<u>0.0%</u>	<u>(4.9%)</u>
	<u>(4.6%)</u>	<u>(12.5%)</u>	<u>36.5%</u>	<u>9.9%</u>	<u>0.1%</u>

## 52 Weeks Ended November 28, 2015

	<u>Americas Adhesives</u>	<u>EIMEA</u>	<u>Asia Pacific</u>	<u>Construction Products</u>	<u>Total HBF</u>
Price	0.4%	0.4%	(0.5%)	2.9%	0.5%
Volume	<u>(4.3%)</u>	<u>(2.3%)</u>	<u>40.3%</u>	<u>20.9%</u>	<u>4.5%</u>
Constant Currency Growth	(3.9%)	(1.9%)	39.8%	23.8%	5.0%
F/X	<u>(0.9%)</u>	<u>(14.0%)</u>	<u>(6.1%)</u>	<u>0.0%</u>	<u>(6.0%)</u>
	<u>(4.8%)</u>	<u>(15.9%)</u>	<u>33.7%</u>	<u>23.8%</u>	<u>(1.0%)</u>



# Regulation G –EPS Adjustments

13 weeks ended November 28, 2015

	Income before Income Tax	Income Taxes	Diluted EPS <sup>a</sup>
Income from continuing operations	\$ 46,318	\$ 21,327	\$ 0.49
Special charges, net	62	(698)	0.01
Acquisition project costs <sup>b</sup>	3,129	106	0.06
Construction Products <sup>c</sup>	350	(17)	0.01
EIMEA business integration costs <sup>d</sup>	3,393	253	0.06
Project ONE <sup>e</sup>	-	-	-
Discrete Tax Impact <sup>f</sup>	-	(2,412)	0.05
Other <sup>g</sup>	610	132	0.01
Adjusted Earnings	<u>\$ 53,862</u>	<u>\$ 18,691</u>	<u>\$ 0.69</u>

13 weeks ended November 29, 2014

	Income before Income Tax	Income Taxes	Diluted EPS <sup>a</sup>
Income from continuing operations	\$ 21,612	\$ 10,934	\$ 0.21
Special charges, net	13,886	950	0.25
Acquisition project costs <sup>b</sup>	684	109	0.01
Construction Products <sup>c</sup>	1,015	387	0.01
EIMEA business integration costs <sup>d</sup>	1,078	82	0.02
Project ONE <sup>e</sup>	4,697	1,790	0.06
Discrete Tax Impact <sup>f</sup>	-	-	-
Other <sup>g</sup>	4,745	709	0.08
Adjusted Earnings	<u>\$ 47,717</u>	<u>\$ 14,961</u>	<u>\$ 0.64</u>

For the year ended November 28, 2015

	Income before Income Tax	Income Taxes	Diluted EPS
Income from continuing operations	\$ 143,835	\$ 55,855	\$ 1.71
Special charges, net	4,654	(49)	0.09
Acquisition project costs <sup>b</sup>	7,642	659	0.14
Construction Products <sup>c</sup>	4,772	1,668	0.06
EIMEA business integration costs <sup>d</sup>	5,753	433	0.10
Project ONE <sup>e</sup>	-	-	-
Other <sup>g</sup>	4,545	1,224	0.07
Adjusted Earnings	<u>\$ 171,201</u>	<u>\$ 59,790</u>	<u>\$ 2.17</u>

For the year ended November 29, 2014

	Income before Income Tax	Income Taxes	Diluted EPS
Income from continuing operations	\$ 84,121	\$ 34,348	\$ 0.97
Special charges, net	51,501	6,253	0.88
Acquisition project costs <sup>b</sup>	2,017	330	0.03
Construction Products <sup>c</sup>	1,015	387	0.01
EIMEA business integration costs <sup>d</sup>	6,470	949	0.11
Project ONE <sup>e</sup>	20,496	7,810	0.25
Other <sup>g</sup>	4,745	709	0.08
Adjusted Earnings	<u>\$ 170,365</u>	<u>\$ 50,786</u>	<u>\$ 2.33</u>

a Income per share amounts may not add due to rounding

b Non-recurring costs related to integrating and accounting for past and potential acquisitions

c Non-recurring costs related to the ramp up of new business with Lowes and the combination of facilities in Illinois

d Non-recurring costs related to inventory adjustments, plant inefficiencies and restructuring in EIMEA

e Non-recurring costs related to the initial go-live event under Project ONE in North America in 2014

f Non-recurring discrete tax items related to the full fiscal 2015 year

g Non-recurring costs related to the completion and start-up of a new electronics facility in Yantai China and other non-recurring items

