



**H.B. Fuller**

Connecting what matters.™

**BETTER.  
FASTER.  
STRONGER.**

**2020** Annual Report

# Financial Highlights\*

## REGULATION G RECONCILIATION

### Selected Income Statement Data<sup>1</sup>

Dollar amounts in U.S. millions, except per share amounts and percentage data.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenue</b>	\$1,444.1	\$1,886.2	\$2,047.0	\$2,104.5	\$2,083.7	\$2,094.6	\$2,306.0	\$3,041.0	\$2,897.0	<b>\$2,790.3</b>
<b>Net income attributable to H.B. Fuller</b>	\$80.3	\$68.1	\$95.6	\$50.7	\$83.9	\$121.7	\$59.4	\$171.2	\$130.8	<b>\$123.7</b>

#### Adjustments:

<b>Acquisition/divestiture-related</b>	-	\$2.5	-	\$1.7	\$7.0	\$2.0	\$5.3	\$2.8	\$2.2	<b>\$(0.2)</b>
<b>Tonsan call option agreement</b>	-	-	-	-	-	\$(5.4)	\$(3.9)	\$1.5	-	<b>-</b>
<b>Organizational realignment</b>	-	-	-	\$6.2	\$8.4	\$3.5	\$15.6	\$2.8	\$7.6	<b>\$11.4</b>
<b>Royal restructuring and integration</b>	-	-	-	-	-	-	\$47.4	\$20.4	\$0.8	<b>\$7.4</b>
<b>Tax reform</b>	-	-	-	-	-	-	-	\$(43.2)	\$0.1	<b>-</b>
<b>Special charges</b>	\$5.7	\$40.7	\$35.3	\$45.2	\$4.7	-	-	-	-	<b>-</b>
<b>Project One and other</b>	-	-	\$0.8	\$16.7	\$3.3	\$2.7	\$2.8	\$0.5	\$12.1	<b>\$6.6</b>
<b>Adjusted net income attributable to H.B. Fuller<sup>2</sup></b>	\$86.0	\$111.3	\$131.7	\$120.5	\$107.3	\$124.5	\$126.6	\$156.0	\$153.7	<b>\$148.9</b>

#### Add:

<b>Interest expense</b>	\$10.8	\$19.8	\$19.1	\$19.7	\$24.7	\$27.1	\$42.4	\$110.6	\$103.3	<b>\$84.6</b>
<b>Interest income</b>	\$(2.1)	\$(1.9)	\$(0.5)	\$(0.3)	\$(0.5)	\$(2.0)	\$(2.9)	\$(11.8)	\$(12.2)	<b>\$(11.4)</b>
<b>Income taxes</b>	\$33.0	\$43.0	\$50.0	\$50.8	\$59.8	\$52.1	\$46.2	\$49.6	\$47.5	<b>\$46.5</b>
<b>Depreciation and amortization expense</b>	\$39.0	\$57.4	\$61.7	\$70.5	\$75.3	\$77.7	\$86.7	\$144.4	\$140.1	<b>\$138.2</b>
<b>Adjusted EBITDA<sup>2</sup></b>	\$166.7	\$229.6	\$262.0	\$261.2	\$266.6	\$279.4	\$299.0	\$448.8	\$432.3	<b>\$406.8</b>
<b>Adjusted EBITDA margin<sup>2</sup></b>	11.5%	12.2%	12.8%	12.4%	12.8%	13.3%	13.0%	14.8%	14.9%	<b>14.6%</b>
<b>Diluted shares</b>	49.9	50.6	51.1	51.3	51.4	51.3	51.6	52.0	52.0	<b>52.5</b>
<b>Adjusted diluted income per common share attributable to H.B. Fuller (EPS)<sup>2</sup></b>	\$1.72	\$2.20	\$2.58	\$2.35	\$2.09	\$2.43	\$2.45	\$3.00	\$2.96	<b>\$2.84</b>

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Gross profit</b>	\$403.8	\$517.3	\$570.2	\$534.8	\$561.4	\$605.8	\$599.0	\$828.2	\$806.9	<b>\$756.6</b>
<b>Gross profit margin</b>	28.0%	27.4%	27.9%	25.4%	26.9%	28.9%	26.0%	27.2%	27.9%	<b>27.1%</b>

#### Adjustments:

<b>Acquisition/divestiture-related</b>	-	\$3.3	-	-	\$3.7	\$1.3	\$4.3	\$2.5	-	<b>\$0.1</b>
<b>Organizational realignment</b>	-	-	-	\$6.2	\$6.5	\$3.2	\$11.4	\$1.5	\$0.4	<b>\$0.2</b>
<b>Royal restructuring and integration</b>	-	-	-	-	-	-	\$10.8	\$5.0	\$6.3	<b>\$3.7</b>
<b>Other</b>	-	-	\$1.1	\$9.3	-	-	\$(1.9)	\$2.4	\$0.2	<b>\$0.4</b>
<b>Adjusted gross profit<sup>3</sup></b>	\$403.8	\$520.6	\$571.3	\$550.3	\$571.6	\$610.3	\$623.6	\$839.6	\$813.8	<b>\$761.0</b>
<b>Adjusted gross profit margin<sup>3</sup></b>	28.0%	27.6%	27.9%	26.2%	27.4%	29.1%	27.0%	27.6%	28.1%	<b>27.3%</b>

\*Please see the inside back cover for additional Financial Highlights and Regulation G disclosure and footnotes.

# Letter to Shareholders

## DEAR SHAREHOLDER:

In 2020, H.B. Fuller demonstrated the company's ability to leverage the strength of our strategic vision to outperform the competition during one of the most challenging years in recent history.

As the COVID-19 pandemic grew around the world, we acted quickly to, first, ensure the health and safety of our 6,000-plus employees around the world, and second, to put into place the tools and processes to serve customers better than the competition. H.B. Fuller's market conditions in 2020 were dynamic with certain businesses experiencing rapid spikes in demand and others dipping dramatically, and our portfolio, which is balanced across a range of industries and applications, enabled us to mitigate the impact. Our global reach, innovation capabilities and customer focus allowed us to take advantage of opportunities to gain market share that were available during the year. While net revenue decreased by \$106.7 million, or 3.7%, compared to fiscal 2019, we exceeded expectations and, by gaining market share in Hygiene, Health & Consumable Adhesives, improving performance in Construction Adhesives, and winning new business through innovation in Engineering Adhesives, overall year-over-year organic revenue was down by just 1.6%.

Throughout the year, H.B. Fuller demonstrated the resilience of our business strategy. Cash flow from operations increased 23%, compared to 2019, due to strong working capital management, which enabled us to exceed our debt paydown target of \$200 million by an additional \$5 million and exceeded our three-year target of \$600 million by over \$70 million.

Our financial performance in 2020 is due, in part, to the actions we took to realign our organization and enhance operational agility. We made outstanding progress in the realignment of our company from our prior mix of global and regionally-operated segments to three global business units (GBUs) – Construction, Engineering, and Hygiene, Health & Consumable Adhesives. This fundamental transformation of our business, which we implemented on December 1, 2019, was designed to support H.B. Fuller's growth by focusing on customer segments and reducing complexity and expenses in some areas so that we can invest to succeed in other areas.

In the first year of operating under the new GBU structure, we faced external challenges that caused economic volatility, but throughout, H.B. Fuller remained focused, particularly given the demand for our adhesive technology in a range of much-needed products, including ventilators, medical-grade face masks, disinfectants, hygiene products, and food packaging. By removing the complexity in our organizational structure, in 2020, we were able to lower SG&A expenses and reduce our raw material spend by leveraging our global structure and renegotiating contracts and/or qualifying new suppliers. Cumulatively, we achieved \$30 million in savings in 2020. We also continued to invest in our future, and invested over \$85 million in capital to drive strategic growth projects and expand H.B. Fuller's capabilities.

Our 2020 accomplishments demonstrate the strength of our strategic vision and represent the practical application of our capital allocation philosophy. Our ability to pivot quickly and focus on our customers' continued success was driven, in part, by our reduced operational complexity, coupled with integrated, efficient, shared support technology and services.

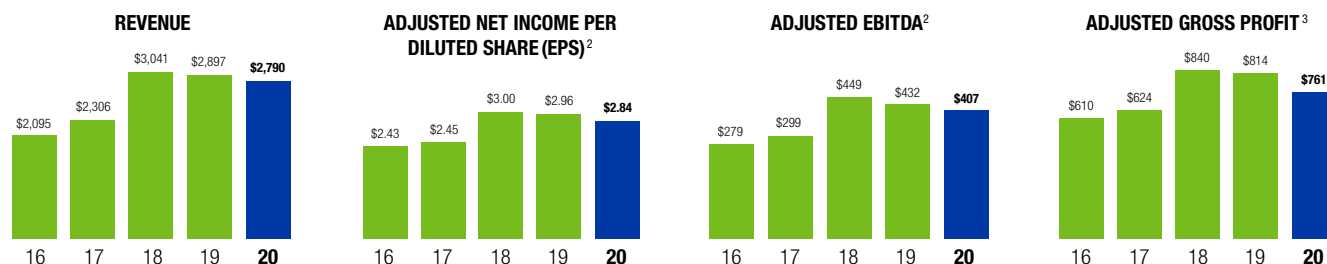
The actions we took in 2020 allowed us to navigate an ongoing, challenging environment and continue to win with customers.

**Jim Owens**  
President and  
Chief Executive Officer

“In 2020, H.B. Fuller demonstrated the company's ability to leverage the strength of our strategic vision to outperform the competition during one of the most challenging years in recent history.”

## KEY FINANCIAL MEASURES

Dollar amounts in U.S. millions, except per share amounts and percentage data.



# First and Fastest | 2020 Financial Performance

Following is an overview of financial performance by segment:

## Construction Adhesives

Demand in the construction segment slowed in 2020 due to the pandemic, resulting in a 6.7% decrease in organic revenue for fiscal 2020. In response to sluggish sales, the team leveraged new product introductions and an improved product mix to offset lower revenue and maintain flat adjusted EBITDA margin, compared to 2019.

Our strong innovation portfolio in the Construction Adhesives business unit is enabling more economical and environmentally sustainable buildings and other construction-related products. Our newly released sprayable bonding adhesive allows commercial roofing contractors to increase installation speed and reduce labor requirements. The solution is delivered via a convenient pressurized canister and applied as a fast-drying contact adhesive that is approved for use in all VOC-regulated markets. Additionally, our patented Fast 2K™ technology, a convenient alternative to using concrete for setting fence and sign posts, mailboxes, and barn post anchors, was recently granted building code approval to construct decks. This high-quality, high-performance solution is much lighter and sets more quickly than concrete, opening the door for major growth in both traditional brick and mortar retail and e-commerce channels.

Operational improvements made in Construction Adhesives in 2020 have positioned this business to deliver strong margins as construction activity increases in 2021.

## Engineering Adhesives

Engineering Adhesives (EA) has been a star performer since its inception in 2016, and in 2020, we added one of our largest, strategic segments – Durable Assembly – to this business unit. These two businesses were similar in terms of technology and application requirements, and combining them under one global business unit has furthered cross-selling opportunities and technical collaboration. For example, with the end of the pandemic uncertain, more consumers turned to recreational vehicles to replace air travel in 2020. We were ready and leveraged technologies from our panel, automotive, sealant tapes and MRO (Maintenance, Repair and Operations) product range to be a single-source supplier for RV manufacturers. This market is expected to show strong growth through 2025, and H.B. Fuller anticipates even stronger, more profitable sales in 2021 and beyond.

Overall, demand for certain EA products weakened in the early part of the year due to lower consumer confidence in response to the COVID-19 pandemic. However, in the second half of the year, we responded quickly to higher demand for electronics and durable goods, and in the fourth quarter delivered double-digit growth in the electronics, woodworking and recreational vehicle market segments as well as solid results in insulating glass and automotive.

The electronics and new energy segments continue to have an exceptional growth trajectory. H.B. Fuller's advanced electronics adhesive technology is enabling innovation in smart phones, wearable communications devices, touch panels and keyboards, as well as electronic vehicles.

During the year, we worked closely with customers to accelerate our product qualification processes and ultimately exceed expected share gains. In addition, our end-to-end solar adhesives portfolio continues to advance solar panel manufacturing and performance.

During 2020, we continued to invest in the EA portfolio. In Q4, we launched our new range of professional-grade MRO industrial adhesives, sealants and lubricants under the Gorilla Professional Grade™ (or GorillaPro™) brand. Under our exclusive trademark license agreement with The Gorilla Glue Company LLC, we now offer a cohesive line of threadlockers, epoxies, metal pipe-fitting assembly sealants, retaining compounds, anti-seize, gasketing and instant adhesives, specifically packaged and sold for the MRO industrial professional. We also continued to leverage our consumer electronics adhesive technology to create share gains in automotive electronics and electric vehicles.

Overall, 2020 EA organic revenue was down 5.5%, but was up 5.6% in the fourth quarter, and we expect demand for our EA adhesive solutions to remain strong in 2021, reflecting increased production activity to meet some pent-up demand.

## Hygiene, Health & Consumable Adhesives

With the realignment of our company to three global business units, we created the Hygiene, Health & Consumable Adhesives (HHC) business unit to win with customers by identifying trends in sustainable packaging, beauty care, medical care and disposable hygiene, all of which require advanced adhesive technology and systems. And, this team did not disappoint.

Focused on innovating with customers' sustainability efforts in mind, the HHC team responded in 2020 with new solutions for disposable hygiene, sustainable packaging and healthcare product manufacturing. For example, consumers of disposable hygiene products around the world are seeking more environmentally friendly products. We have responded with new adhesive solutions in our Full-Care® line that have been certified with the ECO PASSPORT certification. Similar initiatives in packaging are enabling environmentally friendly solutions for customers in that market.

The pandemic created new demand for adhesive-bonded PPE (personal protection equipment) and other equipment that H.B. Fuller was able to support. The vaccines developed to prevent the spread of COVID-19 further require shipment and storage at extremely low temperatures, so we responded with an innovative hot melt adhesive, sold under our Advantra® brand, that maintains a strong bond up to -70° Celsius and provides tamper-evident fiber tear.

The HHC business outperformed expectations in 2020, driven by the successful launch of innovations and demand spikes for hygiene and health products, packaging, and paper tissues and towels, as the pandemic caused consumers to spend more time in their homes, and delivered a 3.3% increase in organic revenue and a 9.5% increase in adjusted EBITDA, compared to 2019.



# Investing in Our Global Reach

In 2020, we continued to invest in key projects that will enable H.B. Fuller's ongoing success.

We completed a major expansion of our manufacturing site in Yantai, China, which will enable us to respond faster to increasing demand from our electronics and new energy segments, driven by the development of sustainable energy sources and increased digitization of technology across the durable and consumer goods markets.

We opened a global center of excellence for hygiene adhesives in Rionegro, Colombia, in response to growing demand in the northern regions of Latin America.

We approved plans to move forward with significant greenfield projects in China and Egypt. In Guangzhou, China, we were able to secure the land adjacent to our current facility and will increase our production and R&D capabilities to meet growing demand in the China market. And, on the world's fastest-growing continent, we expect to begin construction in the first quarter of 2021 on a state-of-the-art manufacturing facility in Cairo, Egypt. This new facility will replace our existing site and will improve our capacity to serve customers in Egypt, Turkey, and targeted growth markets in the Middle East and Africa. And, we will be able to expand and add further adhesive technology applications to support manufacturing growth in the region.

Finally, we implemented SAP® at 10 sites around the globe.

With our strong product pipeline and the continued optimization of our innovation capabilities and manufacturing operations, we are confident in our ability to drive organic growth and build on our success.

As we continue to invest in and transform the company, H.B. Fuller has new possibilities for greatness in the adhesives industry.

## 2020 Key Investments



### GORILLA PROFESSIONAL GRADE™ PRODUCTS

As part of our exclusive, trademark license agreement with The Gorilla Glue Company LLC, we have launched a portfolio of 19 Professional Grade MRO adhesives, sealants and lubricants available in the US and Canada.



### YANTAI SITE EXPANSION

We nearly doubled the footprint of our Yantai, China, manufacturing site, adding a pilot plant, workshop and warehouse. Pictured above: original buildings (left), new buildings (right)



### COLOMBIA HYGIENE CENTER OF EXCELLENCE

In 2020, we opened our new global hygiene center of excellence to connect our adhesive technology and market experts to our customers' product design and development experts in northern Latin America.

SAP® is a registered trademark of SAP SE.

Gorilla Professional Grade™ and GorillaPro™ are trademarks of The Gorilla Glue Company LLC, and is used through an exclusive license by H.B. Fuller Company ("H.B. Fuller") or an affiliated company of H.B. Fuller.

H.B. Fuller's dedicated focus on adhesive technologies and agile global capabilities have positioned us to move first and fastest with a clear vision and mission.

## Better. Faster. Stronger.

Changes we made to our organizational structure, the investments we made in technology and innovation, the agility of our operations, and our team's growth mindset gives me confidence that H.B. Fuller will effectively execute our strategy in 2021 and beyond, and continue to build on our strong performance.

We expect savings from both our global restructuring efforts and our operational improvement programs, coupled with anticipated volume growth, to result in solid adjusted EBITDA margin improvement in 2021. The manufacturing operations and supply chain projects we announced in the second quarter of 2020 are expected to drive \$20 million to \$30 million in annual manufacturing cost savings by the end of 2022, with approximately half of these savings to be realized in 2021. We also are targeting an inventory reduction of approximately \$25 million in 2021. These factors will allow us to drive strong cash flow and deliver another year of solid debt paydown.

2020 was a year like no other, and the team at H.B. Fuller demonstrated tremendous dedication and creativity, which enabled us to protect the health and safety of our employees, to solve customers' challenges in new ways, and to succeed in a world transformed by the COVID-19 pandemic. Our strong foundation enabled us to win with customers no matter what we faced and set us up for further success when the world emerges from the pandemic. The changes we made in 2020, including not just our business realignment but also our approach to doing business differently during a serious crisis, will serve as competitive advantages that will drive growth in the future.

Our business is diverse and resilient. Our operations are nimble. Our team is committed to H.B. Fuller's success. We have momentum and will build on our 2020 successes in 2021 to deliver accelerating profitable growth and cash flow, which will provide more opportunities for our company, our employees around the world, and you, our valued shareholders.

Thank you for your continued trust and support.



Jim Owens  
President and Chief Executive Officer

### 2021 Financial Targets:

- 1 Gain share in our selected strategic markets
- 2 Realize half of the \$20 million to \$30 million of planned efficiencies across our manufacturing network
- 3 Deliver low- to mid-single digit organic growth
- 4 Increase adjusted EBITDA by 10%
- 5 Deliver \$200 million in debt reduction

# Responding to the Pandemic

In 2020, our world was dealt a global health crisis that affected nearly every person in every part of the globe. As we have done during other challenging times, our teams at H.B. Fuller came together and forged ahead to ensure that we could continue to serve our customers, while protecting the health and safety of our employees. Not only did we remain open for business, but our employees discovered new ways to work as we navigated the challenges of staying connected, while maintaining a safe distance from each other. Our teams also made outstanding contributions to our organization as well as their communities.

## Keeping Our Employees Healthy and Safe

At H.B. Fuller, employee health and safety is paramount. Throughout the pandemic, it has been our goal that no one gets sick by working in one of our facilities, so we took a proactive approach to health and safety. We quickly implemented personal and workspace protection and enhanced cleaning protocols, following the local health guidelines at every H.B. Fuller site worldwide. Where possible and practical, our employees worked from home to help limit our essential manufacturing, technical service and technology employees' potential exposure. And, our teams looked out for each other. For example, when we began to have issues securing face masks in China, our team in South Korea was able to purchase enough supply locally and shipped these to their colleagues. Additionally, our Michigan Center team sewed nearly 500 masks for use by employees in that facility. We also found a way to leverage one of our own products to keep our employees safe, making our Foster® 40-80 First Defense™ disinfectant available to employees at work and in their homes.

## Taking Care of Our Customers and Our Communities

The pandemic proved to be a time when our customers and our communities needed us most. Our entire global team enables customers to produce medical devices, personal hygiene products, food products, filtration devices, toilet paper, baby diapers, bottled water and so much more — products that the world counts on every day, and even more so in 2020. We leveraged our investments in digital tools to improve service to customers, deliver innovation faster, collaborate internally more effectively, and increase the speed of decision-making. Our ability to pivot resources from slowing markets to support demand spikes and ensure customer supply, coupled with our capabilities to remotely qualify new applications and troubleshoot complex customer issues, have proven to be competitive advantages. As a result, we were able to shorten sales cycles, increase share with existing customers and win business with new customers. For example, our sales and technical service teams pivoted to mobile devices, online meeting technology and smartglasses to troubleshoot issues and stay connected to our customers. And, as medical supply shortages happened, our teams jumped in with solutions to help manufacturers adapt their operations to produce medical supplies. Our quick-thinking and compassionate employees also leveraged our own materials and operations to produce and donate face shields for front line workers as well as hand sanitizer and disinfectant for use by local community organizations.

# Sustainability Goals and Results

At H.B. Fuller, we know that our company is best positioned for success when we win the right way, by creating sustainable solutions, taking care of our communities, and planning for the future. At each of our 71 sites, we work to minimize the impact of our operations, people and products on the environment, while holding safety as a core value and providing a dynamic and supportive workplace for our employees.

Our growth agenda is a product of our sustainability commitment, which enables us to innovate on behalf of customers producing solar panels, electric vehicles, recyclable and compostable packaging, hygiene products and energy efficient buildings, to name a few. We also set and deliver high performance goals, and our efforts have been recognized by external parties, including EcoVadis (Silver rating in 2020) and the Carbon Disclosure Project (A- water security/B management in 2020) for improvements made.

Learn more by visiting the Corporate Responsibility section of our company website at [www.hbfuller.com](http://www.hbfuller.com).



# Management Information

## CORPORATE OFFICERS

### James J. Owens

President and Chief Executive Officer

### Zhiwei Cai

Executive Vice President,  
Engineering Adhesives

### Ted Clark

Executive Vice President and  
Chief Operating Officer

### John Corkrean

Executive Vice President and  
Chief Financial Officer

### Traci Jensen

Vice President, Global Business  
Process Improvement

### Timothy Keenan

Vice President, General Counsel and  
Corporate Secretary

### Boz Malik

Senior Vice President, Global  
Construction Adhesives

### Maximillian Marcy

Corporate Treasurer

### Robert Martsching

Vice President, Corporate Controller

### Andrew Tometich

Executive Vice President, Hygiene,  
Health & Consumable Adhesives

### Nathan Weaver

Vice President, Human Resources

### Heidi Weiler

Vice President, Corporate Financial Strategy

## BOARD OF DIRECTORS

### Lee R. Mitau

Chairman of the Board  
H.B. Fuller Company and Graco Inc.

### Daniel L. Florness

President and Chief Executive Officer  
Fastenal Company

### Thomas W. Handley

Chief Operating Officer for Investment Operations  
of William H. Gates III, Melinda F. Gates and the Bill  
and Melinda Gates Foundation Trust

### Michael J. Happe\*

President and Chief Executive Officer  
Winnebago Industries, Inc.

### Maria Teresa Hilado

Independent Director

### Ruth S. Kimmelshue

Corporate Senior Vice President,  
Business Operations & Supply Chain  
Cargill, Incorporated

### James J. Owens

President and Chief Executive Officer  
H.B. Fuller Company

### Dante C. Parrini

Chairman and Chief Executive Officer  
Glatfelter Corporation

### Teresa J. Rasmussen\*

President and Chief Executive Officer  
Thrivent Financial for Lutherans

### John C. van Roden, Jr.

Independent Director

### R. William Van Sant

Independent Director

\*New to the board

## COMMITTEES

### Audit

Florness  
Handley  
Happe  
Kimmelshue  
Rasmussen  
van Roden (Chair)

### Compensation

Florness  
Handley  
Happe  
Hilado  
Kimmelshue  
Mitau  
Parrini (Chair)  
Rasmussen  
Van Sant

### Corporate Governance and Nominating Committee

Hilado  
Mitau (Chair)  
Parrini  
van Roden  
Van Sant

## About H.B. Fuller

Since 1887, H.B. Fuller has been a leading global adhesives provider focusing on perfecting adhesives, sealants and other specialty chemical products to improve products and lives. With fiscal 2020 net revenue of \$2.8 billion, H.B. Fuller's commitment to innovation brings together people, products and processes that answer and solve some of the world's biggest challenges. Our reliable, responsive service creates lasting, rewarding connections with customers in electronics, disposable hygiene, medical, transportation and infrastructure, aerospace, new energy, packaging, construction, woodworking, general industries and other consumer businesses. And, our promise to our people connects them with opportunities to innovate and thrive.

For more information, visit us at [www.hbfuller.com](http://www.hbfuller.com).



# Financial Highlights (Continued)

## Selected Balance Sheet Data<sup>1</sup>

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Total assets</b>	\$1,227.7	\$1,786.3	\$1,873.0	\$1,890.3	\$2,056.9	\$2,066.6	\$4,373.2	\$4,176.3	\$3,985.7	<b>\$4,036.7</b>
<b>Cash and equivalents</b>	\$156.1	\$200.4	\$155.1	\$77.6	\$119.2	\$142.2	\$194.4	\$150.8	\$112.2	<b>\$100.5</b>
<b>Total debt</b>	\$232.3	\$520.2	\$492.9	\$574.9	\$722.9	\$705.7	\$2,451.9	\$2,247.5	\$1,979.1	<b>\$1,773.9</b>
<b>Total H.B. Fuller stockholder equity</b>	\$705.2	\$778.3	\$930.1	\$899.1	\$882.0	\$944.5	\$1,051.4	\$1,152.8	\$1,222.3	<b>\$1,381.3</b>

## REGULATION G DISCLOSURE AND FOOTNOTES

**REGULATION G:** The information presented in this report regarding adjusted gross profit, adjusted gross profit margin, adjusted net income attributable to H.B. Fuller, adjusted diluted income per common share attributable (also referred to as EPS), adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), and adjusted EBITDA margin, 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 the 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. The table shown inside the front cover of this report provides a reconciliation of non-GAAP information to the most directly comparable measure determined in accordance with U.S. GAAP.

<sup>1</sup> Financial highlights for 2011 are displayed as presented for that year. In 2012, the company divested its Central American paints business and acquired the global industrial adhesives business from the Forbo Group. Financial results in 2012 reflect those two events. Information displayed for 2011 is not adjusted for the divestiture of the Central American paints business. In the fourth quarter of 2018, the company elected to change our method of accounting for certain inventories in the United States from the last-in, first-out method ("LIFO") to weighted-average cost, as discussed in Item 7 in the 2018 Annual Report on Form 10-K. Results have been retrospectively adjusted to reflect this change through 2014. Results prior to 2014 have not been retrospectively adjusted for this change. In the first quarter of 2019, the company adopted new revenue recognition standards and a new accounting standard regarding the timing of income tax recognition for an intercompany sale of assets. Both of these adoptions resulted in an adjustment to beginning equity, as discussed in Item 7 in the 2019 Annual Report on Form 10-K. 2018 balance sheet amounts have been restated for these adoptions. In the first quarter of 2019, the company adopted a new accounting standard requiring that pension expense, other than service cost, be presented as non-operating expenses, while service cost remains in operating expenses. See Item 7 in the 2019 Annual Report on Form 10-K for further discussion of this adoption. Results for 2017 and 2018 have been retrospectively adjusted to reflect this change, and results prior to 2016 have not been retrospectively adjusted for this change.

<sup>2</sup> 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 in the table of the inside front cover. 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 in the table of the inside front cover. Adjusted EBITDA margin is defined as adjusted EBITDA divided by net revenue. The table shown on the inside front cover 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 U.S. GAAP.

<sup>3</sup> Adjusted gross profit and adjusted gross profit margin are non-GAAP financial measures. Adjusted gross profit and adjusted gross profit margin are defined as gross profit and gross profit margin, excluding the specific adjustments shown in the table of the inside front cover. The table provides a reconciliation of adjusted gross profit and adjusted gross profit margin to gross profit and gross profit margin, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.



## **H.B. Fuller Company**

1200 Willow Lake Boulevard  
Vadnais Heights, MN 55110  
USA

Full-Care® is a registered trademark of H.B. Fuller Company. Connecting what matters™ is a trademark of H.B. Fuller Company. Foster® and First Defense® are registered trademarks of H.B. Fuller Construction Products Inc. Fast 2K® is a registered trademark of Royal Adhesives and Sealants, LLC.  
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