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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended August 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________ to ________________.

Commission file number: 001-09225

H.B. FULLER COMPANY

(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	**41-0268370** (I.R.S. Employer Identification No.)
1200 Willow Lake Boulevard, St. Paul, Minnesota (Address of principal executive offices)	**55110-5101** (Zip Code)

Registrant's telephone number, including area code: **(651) 236-5900**

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $1.00 per share	FUL	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12(b) of the Exchange Act. Yes ☐ No ☒

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PROCEEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares outstanding of the Registrant's Common Stock, par value $1.00 per share, was 54,627,124 as of September 20, 2024.

H.B. Fuller Company
Quarterly Report on Form 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

H.B. FULLER COMPANY AND SUBSIDIARIES
Consolidated Statements of Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 31, 2024	**September 2, 2023**	**August 31, 2024**	**September 2, 2023**
Net revenue	$ **917,927**	$ 900,634	$ **2,645,452**	$ 2,608,055
Cost of sales	**(642,198)**	(637,162)	**(1,848,435)**	(1,873,000)
Gross profit	**275,729**	263,472	**797,017**	735,055
Selling, general and administrative expenses	**(171,388)**	(172,153)	**(525,204)**	(493,320)
Other income, net	**2,148**	1,555	**7,282**	4,764
Interest expense	**(35,288)**	(35,105)	**(99,504)**	(101,305)
Interest income	**1,092**	1,128	**3,597**	2,726
Income before income taxes and income from equity method investments	**72,293**	58,897	**183,188**	147,920
Income taxes	**(18,264)**	(22,231)	**(48,496)**	(51,255)
Income from equity method investments	**1,310**	984	**2,955**	3,322
Net income including non-controlling interest	**55,339**	37,650	**137,647**	99,987
Net loss (income) attributable to non-controlling interest	**22**	(23)	**(32)**	(71)
Net income attributable to H.B. Fuller	$ **55,361**	$ 37,627	$ **137,615**	$ 99,916
Earnings per share attributable to H.B. Fuller common stockholders:				
Basic	$ **1.01**	$ 0.69	$ **2.51**	$ 1.84
Diluted	$ **0.98**	$ 0.67	$ **2.43**	$ 1.79
Weighted-average common shares outstanding:				
Basic	**54,975**	54,394	**54,874**	54,279
Diluted	**56,650**	56,033	**56,620**	55,890
Dividends declared per common share	$ **0.223**	$ 0.205	$ **0.651**	$ 0.600

See accompanying Notes to Unaudited Consolidated Financial Statements.

H.B. FULLER COMPANY AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 31, 2024	**September 2, 2023**	**August 31, 2024**	**September 2, 2023**
Net income including non-controlling interest	$ **55,339**	$ 37,650	$ **137,647**	$ 99,987
Other comprehensive income (loss)				
Foreign currency translation	**33,355**	(8,717)	**(12,932)**	14,058
Defined benefit pension plans adjustment, net of tax	**1,270**	863	**3,808**	2,572
Interest rate swaps, net of tax	**(25,744)**	15,898	**(18,013)**	14,745
Net investment hedges, net of tax	**(8,231)**	(4,641)	**(4,318)**	(10,324)
Other comprehensive income (loss)	**650**	3,403	**(31,455)**	21,051
Comprehensive income	**55,989**	41,053	**106,192**	121,038
Less: Comprehensive income attributable to non-controlling interest	**9**	16	**22**	59
Comprehensive income attributable to H.B. Fuller	$ **55,980**	$ 41,037	$ **106,170**	$ 120,979

See accompanying Notes to Unaudited Consolidated Financial Statements.

H.B. FULLER COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	August 31, 2024	December 2, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ **131,412**	$ 179,453
Trade receivables (net of allowances of $13,389 and $11,080, as of August 31, 2024 and December 2, 2023, respectively)	**574,781**	577,932
Inventories	**509,029**	442,040
Other current assets	**115,070**	112,678
Total current assets	**1,330,292**	1,312,103
Property, plant and equipment	**1,855,203**	1,755,035
Accumulated depreciation	**(993,884)**	(930,380)
Property, plant and equipment, net	**861,319**	824,655
Goodwill	**1,591,709**	1,486,512
Other intangibles, net	**806,148**	729,140
Other assets	**388,777**	371,165
Total assets	$ **4,978,245**	$ 4,723,575
Liabilities, non-controlling interest and total equity		
Current liabilities		
Notes payable	$ **797**	$ 1,841
Trade payables	**493,550**	439,700
Accrued compensation	**83,861**	95,680
Income taxes payable	**39,244**	47,688
Other accrued expenses	**87,495**	107,902
Total current liabilities	**704,947**	692,811
Long-term debt	**2,020,273**	1,836,590
Accrued pension liabilities	**51,739**	50,189
Other liabilities	**359,565**	388,072
Total liabilities	$ **3,136,524**	$ 2,967,662
Commitments and contingencies (Note 13)		
Equity		
H.B. Fuller stockholders' equity:		
Preferred stock (no shares outstanding) shares authorized – 10,045,900	**-**	-
Common stock, par value $1.00 per share, shares authorized – 160,000,000, shares outstanding – 54,612,541 and 54,092,987 as of August 31, 2024 and December 2, 2023, respectively	$ **54,613**	$ 54,093
Additional paid-in capital	**316,324**	301,485
Retained earnings	**1,944,380**	1,842,507
Accumulated other comprehensive loss	**(474,326)**	(442,880)
Total H.B. Fuller stockholders' equity	**1,840,991**	1,755,205
Non-controlling interest	**730**	708
Total equity	**1,841,721**	1,755,913
Total liabilities, non-controlling interest and total equity	$ **4,978,245**	$ 4,723,575

See accompanying Notes to Unaudited Consolidated Financial Statements.

H.B. FULLER COMPANY AND SUBSIDIARIES
Consolidated Statements of Total Equity
(In thousands)
(Unaudited)

	H.B. Fuller Company Shareholders					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
Balance at December 2, 2023	$ 54,093	$ 301,485	$ 1,842,507	$ (442,880)	$ 708	$ 1,755,913
Comprehensive income (loss)	-	-	30,991	(15,909)	12	15,094
Dividends	-	-	(11,246)	-	-	(11,246)
Stock option exercises	200	8,777	-	-	-	8,977
Share-based compensation plans and other, net	225	5,490	-	-	-	5,715
Repurchases of common stock	(80)	(6,128)	-	-	-	(6,208)
Balance at March 2, 2024	$ 54,438	$ 309,624	$ 1,862,252	$ (458,789)	$ 720	$ 1,768,245
Comprehensive income (loss)	-	-	51,264	(16,156)	1	35,109
Dividends	-	-	(12,144)	-	-	(12,144)
Stock option exercises	189	9,123	-	-	-	9,312
Share-based compensation plans and other, net	81	7,111	-	-	-	7,192
Repurchases of common stock	(200)	(15,400)	-	-	-	(15,600)
Balance at June 1, 2024	$ 54,508	$ 310,458	$ 1,901,372	$ (474,945)	$ 721	$ 1,792,114
Comprehensive income	-	-	55,361	619	9	55,989
Dividends	-	-	(12,353)	-	-	(12,353)
Stock option exercises	328	15,553	-	-	-	15,881
Share-based compensation plans and other, net	2	7,650	-	-	-	7,652
Repurchases of common stock	(225)	(17,337)	-	-	-	(17,562)
Balance at August 31, 2024	$ 54,613	$ 316,324	$ 1,944,380	$ (474,326)	$ 730	1,841,721

	H.B. Fuller Company Shareholders					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
Balance at December 3, 2022	$ 53,677	$ 266,491	$ 1,741,359	$ (451,357)	$ 624	$ 1,610,794
Comprehensive income	-	-	21,889	5,241	37	27,167
Dividends	-	-	(10,305)	-	-	(10,305)
Stock option exercises	76	3,520	-	-	-	3,596
Share-based compensation plans and other, net	102	5,221	-	-	-	5,323
Repurchases of common stock	(36)	(2,412)	-	-	-	(2,448)
Balance at March 4, 2023	$ 53,819	$ 272,820	$ 1,752,943	$ (446,116)	$ 661	$ 1,634,127
Comprehensive income (loss)	-	-	40,401	12,411	6	52,818
Dividends	-	-	(11,129)	-	-	(11,129)
Stock option exercises	13	584	-	-	-	597
Share-based compensation plans other, net	30	6,818	-	-	-	6,848
Repurchases of common stock	(2)	(102)	-	-	-	(104)
Balance at June 3, 2023	$ 53,860	$ 280,120	$ 1,782,215	$ (433,705)	$ 667	$ 1,683,157
Comprehensive income	-	-	37,627	3,410	16	41,053
Dividends	-	-	(11,155)	-	-	(11,155)
Stock option exercises	153	6,906	-	-	-	7,059
Share-based compensation plans other, net	3	7,018	-	-	-	7,021
Repurchases of common stock	-	(9)	-	-	-	(9)
Balance at September 2, 2023	$ 54,016	$ 294,035	$ 1,808,687	$ (430,295)	$ 683	$ 1,727,126

See accompanying Notes to Unaudited Consolidated Financial Statements.

H.B. FULLER COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended	
	August 31, 2024	September 2, 2023
Cash flows from operating activities:		
Net income including non-controlling interest	$ **137,647**	$ 99,987
Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities:		
Depreciation	**66,990**	60,518
Amortization	**61,723**	58,633
Deferred income taxes	**(45,998)**	(30,064)
Loss from equity method investments, net of dividends received	**622**	260
Gain on insurance claims	**(7,264)**	-
Loss on equity investment	**1,966**	-
Debt issuance costs write-off	**-**	2,689
Loss on fair value adjustment on contingent consideration liability	**-**	2,893
Gain on sale or disposal of assets	**(501)**	(78)
Share-based compensation	**17,662**	16,279
Pension and other post-retirement benefit plan activity	**(6,671)**	(8,890)
Change in assets and liabilities, net of effects of acquisitions:		
Trade receivables, net	**26,373**	79,495
Inventories	**(62,206)**	38,212
Other assets	**(39,025)**	(30,901)
Trade payables	**49,705**	(74,443)
Accrued compensation	**(11,566)**	(33,796)
Other accrued expenses	**(5,244)**	(6,992)
Income taxes payable	**(17,873)**	24,461
Other liabilities	**856**	12,408
Other	**49,591**	6,023
Net cash provided by operating activities	**216,787**	216,694
Cash flows from investing activities:		
Purchased property, plant and equipment	**(112,799)**	(109,545)
Purchased businesses, net of cash acquired	**(274,067)**	(194,248)
Proceeds from sale of property, plant and equipment	**1,048**	4,257
Net cash used in investing activities	**(385,818)**	(299,536)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	**1,732,900**	1,333,000
Repayment of long-term debt	**(1,556,135)**	(1,184,900)
Payment of debt issuance costs	**(3,493)**	(10,214)
Net payment of notes payable	**(1,014)**	(18,000)
Dividends paid	**(35,440)**	(32,319)
Proceeds from stock options exercised	**34,161**	11,251
Repurchases of common stock	**(39,371)**	(2,560)
Net cash provided by financing activities	**131,608**	96,258
Effect of exchange rate changes on cash and cash equivalents	**(10,618)**	1,608
Net change in cash and cash equivalents	**(48,041)**	15,024
Cash and cash equivalents at beginning of period	**179,453**	79,910
Cash and cash equivalents at end of period	$ **131,412**	$ 94,934

See accompanying Notes to Unaudited Consolidated Financial Statements.

H.B. FULLER COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Amounts in thousands, except per share amounts)
(Unaudited)

Note 1: Basis of Presentation

Overview

The accompanying unaudited interim Consolidated Financial Statements of H.B. Fuller Company and Subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information necessary for a fair presentation of results of operations, comprehensive income, financial position and cash flows in conformity with U.S. generally accepted accounting principles. In our opinion, the unaudited interim Consolidated Financial Statements reflect all adjustments of a normal recurring nature considered necessary for the fair presentation of the results for the periods presented. Operating results for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from these estimates. These unaudited interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended December 2, 2023 as filed with the Securities and Exchange Commission.

New Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") No. 2023-09, *Income Taxes (Topic 740) - Improvements to Income Tax Disclosures* . This ASU provides new disclosure requirements including presentation of prescribed line items in the effective tax rate reconciliation and disclosures regarding state and local tax payments. Our effective date for adoption of this ASU is our fiscal year ending November 28, 2026. We are evaluating the impact the new disclosure guidance will have on our Consolidated Finance Statements.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures* . This ASU extends the existing requirements for annual disclosures to quarterly periods and requires that both annual and quarterly disclosures present segment expenses using line items consistent with information regularly provided to the chief operating decision maker. Our effective date for adoption of this ASU is our fiscal year ending November 29, 2025. We are evaluating the impact the new disclosure guidance will have on our Consolidated Finance Statements.

Supplier Finance Program

In September 2022, the FASB issued ASU No. 2022-04, *Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations.* This ASU requires that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of the financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. To achieve that objective, the buyer should disclose qualitative and quantitative information about its supplier finance programs. ASU 2022-04 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the requirement on rollforward information which is an annual requirement. During the first quarter of our fiscal year ending November 30, 2024, we adopted ASU 2022-04. We will present the annual roll-forward disclosure requirement within our annual report on Form 10-K.

We have agreements with third parties to provide supplier finance programs which facilitate participating suppliers' ability to finance payment obligations of the Company with designated third-party financial institutions. Participating suppliers may, at their sole discretion, elect to finance one or more payment obligations of the Company prior to their scheduled due dates at a discounted price to participating financial institutions. The Company has no economic interest in the sale of these suppliers' receivables and no direct financial relationship with the financial institutions concerning these services. The Company's obligations to its suppliers, including amounts due and scheduled payment dates, are not impacted by suppliers' decisions to finance amounts under these arrangements. The outstanding payment obligations that were confirmed as valid and remained outstanding as of August 31, 2024, were approximately $4,457. These obligations under the Company's supplier finance programs are included in Accounts payable in the Consolidated Balance Sheets, and the associated payments are reflected in the cash flows from operating activities section of the Consolidated Statements of Cash Flows.

Recently issued accounting standards or pronouncements not disclosed above have been excluded as they are not relevant to the company.

Note 2: Acquisitions

HS Butyl Limited

On August 5, 2024, we acquired HS Butyl Limited ("HS Butyl") for a purchase price of 18,148 British pound sterling, or approximat ely $23,180 which was funded through existing cash. This includes a holdback amount of 2,700 British pound sterling that will be paid on the 18-month anniversary of the closing date. HS Butyl, headquartered in Lymington, England, is the United Kingdom's largest manufacturer and distributor of high-quality butyl tapes, which provide strong, permanent, watertight seals for a wide variety of applications within the construction, infrastructure, automotive and renewable energy industries. The acquisition of HS Butyl establishes our presence in the European waterproofing tape market, expanding our position as a solution provider to existing customers. It also expands our relevance to more markets and creates opportunities to deliver new, in-demand solutions for our customers, given the technology's relevance to multiple high-value applications. The acquisition fair value measurement was preliminary as of August 31, 2024 and includes other intangible assets of $5,620, goodwill of $4,927 and other net assets of $12,633. Goodwill represents expected synergies from combining HS Butyl with our existing business. Goodwill is not deductible for tax purposes. HS Butyl is included in our Construction Adhesives operating segment.

ND Industries, Inc.

On May 20, 2024, we acquired the assets of ND Industries, Inc. (“ND Industries”) for a base purchase price of $ 255,734 which was funded through borrowings on our credit facility and existing cash. This includes a holdback amount of $1,446 that will be paid on the 4-month anniversary of the closing date. ND Industries, headquartered in Clawson, Michigan, is a leading provider of specialty adhesives and fastener locking and sealing solutions serving customers in the automotive, electronics, aerospace and other industries. The acquisition of ND Industries is expected to accelerate the realization of our top growth priorities, consistent with our strategy to proactively drive capital allocation to the highest margin, highest growth market segments within the functional coatings, adhesives, sealants and elastomer industry. The acquisition fair value measurement was preliminary as of August 31, 2024. ND Industries is included in our Engineering Adhesives operating segment.

During the three months ended August 31, 2024, intangible assets increased $4,800, goodwill decreased $5,966, and other net assets increased $1,166 in the fair value measurement of ND Industries. The following table summarizes the fair value measurement of the assets acquired and liabilities assumed as of the date of acquisition:

	Amounts
Current assets	$ 17,461
Property, plant and equipment	22,152
Goodwill	83,859
Other intangibles	
Customer relationships	111,400
Trademarks/trade names	9,300
Technology	13,900
Other assets	86
Current liabilities	(2,424)
Total	$ 255,734

The expected useful lives of the acquired intangible assets are 15 years for technology, 13 years for customer relationships and ten years for trademarks and tradenames. Based on the fair value measurement of the assets acquired and liabilities assumed, we allocated $89,825 to goodwill for the expected synergies from combining ND Industries with our existing business. Such goodwill is deductible for tax purposes. The goodwill was assigned to our Engineering Adhesives operating segment.

Sanglier Ltd.

On September 8, 2023, we acquired the assets of Sanglier Ltd. (“Sanglier”) for a base purchase price of 13,361 British pound sterling, or approximately $16,660 which was funded through existing cash. This includes a holdback amount of 2,100 British pound sterling that will be paid on the 18-month anniversary of the closing date. Sanglier, headquartered in Mansfield, United Kingdom, is a manufacturer and filler of sprayable (aerosol and cannister) industrial adhesives. The acquisition of Sanglier expands our innovation capabilities and product portfolio across the United Kingdom and Europe. Sanglier transforms adhesives applications to enable sprayable delivery providing end users with an opportunity to greatly improve labor efficiency. The acquisition fair value measurement was final as of August 31, 2024 and includes other intangible assets of $ 7,354, goodwill of $3,038 and other net assets of $6,261. Goodwill represents expected synergies from combining Sanglier with our existing business. Goodwill is deductible for tax purposes. Sanglier is included in our Construction Adhesives operating segment.

Adhezion Biomedical LLC

On June 23, 2023, we acquired Adhezion Biomedical LLC (“Adhezion”) for a base purchase price of $ 80,802 which was funded through borrowings on our credit facility. This includes a holdback amount of $780 that was paid on the 12-month anniversary of the closing date. The agreement includes a payment of contingent consideration up to $15,000 following the completion of certain performance goals and conditions. Adhezion, headquartered in Hudson, North Carolina, is a manufacturer of cyanoacrylate-based healthcare adhesives and infection prevention products. The acquisition of Adhezion positions us for expansion in the healthcare adhesives industry and creates a solid, unique platform from which to scale and innovate in the healthcare adhesives industry. The acquisition fair value measurement was final as of June 1, 2024 and includes other intangible assets of $38,500, goodwill of $37,589 and other net assets of $ 4,713. Goodwill represents expected synergies from combining Adhezion with our existing business. The amount of goodwill that is deductible for tax purposes is $25,717. Adhezion is included in our Hygiene, Health and Consumable Adhesives operating segment.

XChem International LLC

On June 12, 2023, we acquired XChem International LLC ("XChem") for a base purchase price of approximately $ 14,496 which was funded through borrowings on our credit facility. This includes a holdback amount of $1,650, half of which was paid on the 12-month anniversary of the closing date and half to be paid on the 18-month anniversary of the closing date. XChem, headquartered in Ras Al-Khaimah, United Arab Emirates, is a manufacturer of adhesives and sealants for construction-related applications. The acquisition of XChem provides our Construction Adhesives global business with additional manufacturing presence for certain brands outside the U.S. and broadens our Construction Adhesives portfolio of highly specified applications and diversifies it toward both non-U.S. and infrastructure-oriented markets. The acquisition fair value measurement was final as of June 1, 2024 and includes other intangible assets of $ 4,600, goodwill of $4,318 and other net assets of $5,578. Goodwill represents expected synergies from combining XChem with our existing business. Goodwill is not deductible for tax purposes. XChem is included in our Construction Adhesives operating segment.

Beardow Adams Holdings Ltd.

On May 1, 2023, we acquired Beardow Adams Holdings Ltd. (“Beardow Adams”) for a total purchase price of 80,738 British pound sterling, or approximately $100,885, which was funded through borrowings on our credit facility. This includes a holdback amount of 8,000 British pound sterling that will be paid on the 18-month anniversary of the closing date. Beardow Adams, based in the United Kingdom, develops and manufactures adhesives, sealants and coatings, principally in the fields of packaging and related applications. The acquisition of Beardow Adams is expected to accelerate profitable growth in many of our core end markets and generate business synergies through better raw material pricing, production optimization and an expanded distribution platform. The acquisition fair value measurement was final as of June 1, 2024 and includes other intangible assets of $35,425, goodwill of $28,148 and other net assets of $ 37,312. Goodwill represents expected synergies from combining Beardow Adams with our existing business. The amount of goodwill that is deductible for tax purposes is $3,561. The remaining goodwill is not deductible for tax purposes. Beardow Adams is included in our Hygiene, Health and Consumable Adhesives operating segment.

Aspen Research Corporation

On January 31, 2023, we acquired the assets of Aspen Research Corporation (“Aspen”) for a total purchase price of $ 9,761, which was funded through existing cash. This includes a holdback amount of $500 that was paid on the 18-month anniversary of the closing date. Aspen, located in Maple Grove, Minnesota, is a contract research organization that develops and manufactures innovative solutions for some of the adhesives used in our insulating glass market. Aspen is known for their superior understanding of materials science, engineering and analytical testing and specializes in custom materials manufacturing for chemicals and adhesives products. The acquisition of Aspen is expected to expand our Engineering Adhesives footprint in North America and strengthen our capabilities in the insulating glass market, in addition to bringing additive continuous flow and process manufacturing capabilities that we plan to leverage. The acquisition fair value measurement was final as of December 2, 2023 and includes other intangible assets of $4,900, goodwill of $3,832 and other net assets of $ 1,029. Goodwill represents expected synergies from combining Aspen with our existing business. Goodwill is deductible for tax purposes. Aspen is included in our Engineering Adhesives operating segment.

Lemtapes Oy

On December 15, 2022, we acquired Lemtapes Oy (“Lemtapes”) for a total purchase price of $ 8,922 Euro, or approximately $9,482 which was funded through existing cash. This includes a holdback amount of 850 Euro that was paid on the 18-month anniversary of the closing date. Lemtapes, located in Valkeakoski, Finland, is a solutions provider of ecological, innovative tapes and adhesives for the packaging and plywood industries. The acquisition of Lemtapes is expected to reinforce our strategic position in Europe, especially for our adhesives coated solutions products. This acquisition will also accelerate our growth strategy of fast-growing, high margin businesses while adding technology capabilities and strong customer relationships. The acquisition fair value measurement was final as of December 2, 2023 and includes other intangible assets of $ 5,526, goodwill of $3,028 and other net assets of $ 928. Goodwill represents expected synergies from combining Lemtapes with our existing business. Goodwill is not deductible for tax purposes. Lemtapes is included in our Hygiene, Health and Consumable Adhesives operating segment.

All acquisitions, individually and in the aggregate, are not material and therefore pro forma financial information is not provided.

Note 3: Restructuring Actions

During fiscal year 2023, the Company approved restructuring plans (the "Plans") related to organizational changes and other actions to optimize operations and integrate acquired businesses. The Plans were implemented in the second quarter of fiscal year 2023 and are currently expected to be completed during fiscal year 2026, with the majority of the charges recognized and cash payments occurring in fiscal 2023 and 2024. In implementing the Plans, the Company currently expects to incur pre-tax costs of approximately $39,100 to $50,100 for severance and related employee costs globally, other restructuring costs related to the streamlining of processes and the payment of anticipated income taxes in certain jurisdictions related to the Plans.

The following table summarizes the pre-tax distribution of charges under these restructuring plans by income statement classification:

	Three Months Ended		Nine Months Ended	
	August 31, 2024	**September 2, 2023**	**August 31, 2024**	**September 2, 2023**
Cost of sales	$ **2,119**	$ 3,322	$ **6,313**	$ 8,407
Selling, general and administrative	**2,632**	5,077	**5,076**	8,320
	$ **4,751**	$ 8,399	$ **11,389**	$ 16,727

The restructuring charges are all recorded in Corporate Unallocated for segment reporting purposes.

A summary of the restructuring liability is presented below:

	Employee-Related	**Asset-Related**	**Other**	**Total**
Balance at December 3, 2022	$ 57	$ -	$ -	$ 57
Expenses incurred	22,731	1,369	487	24,587
Non-cash charges	-	(1,369)	(453)	(1,822)
Cash payments	(9,802)	-	(34)	(9,836)
Foreign currency translation	(1,263)	-	-	(1,263)
Balance at December 2, 2023	$ 11,723	$ -	$ -	$ 11,723
Expenses incurred	**7,825**	**3,451**	**113**	**11,389**
Non-cash charges	**-**	**(3,451)**	**(102)**	**(3,553)**
Cash payments	**(12,459)**	**-**	**(11)**	**(12,470)**
Foreign currency translation	**(44)**	**-**	**-**	**(44)**
Balance at August 31, 2024	$ **7,045**	$ **-**	$ **-**	$ **7,045**

Non-cash charges primarily include accelerated depreciation resulting from the cessation of use of certain long-lived assets and inventory disposals. Restructuring liabilities have been classified as a component of other accrued expenses on the Consolidated Balance Sheets.

Note 4: Inventories

The composition of inventories is as follows:

	August 31, 2024	December 2, 2023
Raw materials	$ **231,152**	$ 206,140
Finished goods	**277,877**	235,900
Total inventories	$ **509,029**	$ 442,040

Note 5: Goodwill and Other Intangible Assets

The goodwill activity by reportable segment for the nine months ended August 31, 2024 is presented below:

	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total
Balance at December 2, 2023	$ **402,598**	$ **651,145**	$ **432,769**	$ **1,486,512**
Acquisitions	**1,674**	**83,859**	**7,654**	**93,187**
Foreign currency translation effect	**4,131**	**6,938**	**941**	**12,010**
Balance at August 31, 2024	$ **408,403**	$ **741,942**	$ **441,364**	$ **1,591,709**

Balances of amortizable identifiable intangible assets, excluding goodwill and other non-amortizable intangible assets, are as follows:

	August 31, 2024				
Amortizable Intangible Assets	**Purchased Technology and Patents**	**Customer Relationships**	**Trade Names**	**Other**	**Total**
Original cost	$ **146,315**	$ **1,073,123**	$ **68,851**	$ **10,094**	$ **1,298,383**
Accumulated amortization	**(53,478)**	**(404,711)**	**(27,731)**	**(6,797)**	**(492,717)**
Net identifiable intangibles	$ **92,837**	$ **668,412**	$ **41,120**	$ **3,297**	$ **805,666**

	December 2, 2023				
Amortizable Intangible Assets	**Purchased Technology and Patents**	**Customer Relationships**	**Trade Names**	**Other**	**Total**
Original cost	$ 144,763	$ 986,470	$ 58,484	$ 10,911	$ 1,200,628
Accumulated amortization	(59,631)	(382,220)	(23,099)	(7,012)	(471,962)
Net identifiable intangibles	$ 85,132	$ 604,250	$ 35,385	$ 3,899	$ 728,666

Amortization expense with respect to amortizable intangible assets was $ 22,149 and $20,820 for the three months ended August 31, 2024 and September 2, 2023, respectively, and was $61,723 and $58,633 for the nine months ended August 31, 2024 and September 2, 2023.

Estimated aggregate amortization expense based on the current carrying value of amortizable intangible assets for the next five fiscal years is as follows:

Fiscal Year	Remainder 2024	2025	2026	2027	2028	Thereafter
Amortization expense	$ 18,564	$ 88,100	$ 81,291	$ 77,938	$ 77,666	$ 462,103

The above amortization expense forecast is an estimate. Actual amounts may change from such estimated amounts due to fluctuations in foreign currency exchange rates, additional intangible asset acquisitions, potential impairment, accelerated amortization or other events.

Non-amortizable intangible assets as of August 31, 2024 and December 2, 2023 were $482 and $474, respectively, and relate to trademarks and trade names. The change in non-amortizable assets as of August 31, 2024 compared to December 2, 2023 was due to changes in foreign currency exchange rates.

Note 6: Long-Term Debt

On March 4, 2024, we entered into a Refinancing and Incremental Amendment (the “Refinancing and Incremental Amendment”), which amended the Second Amended and Restated Credit Agreement dated as of February 15, 2023, as previously amended. Pursuant to the Refinancing and Incremental Amendment under the Credit Agreement, the existing $794,000 principal amount of Term B loans (the “Amended TLB”) were refinanced and certain lenders to the Refinancing and Incremental Amendment made additional Term B loans to the Company in the principal amount of $200,000, thereby increasing the aggregate principal amount of the Amended TLB to $ 994,000. Furthermore, the interest rate margins applicable to the Amended TLB were decreased by 25 basis points (0.25% per annum) to 200 basis points for SOFR loans and 100 basis points for prime rate loans. The additional $200,000 of proceeds will be used to finance our working capital needs and for general corporate purposes, including permitted acquisitions. Interest on Term Loan B borrowings is payable at SOFR plus an interest rate spread of 200 basis points with a SOFR floor of 50 basis points (7.32 percent at August 31, 2024). The maturity date of February 15, 2030 remains unchanged. The commitment fee rates and interest rates applicable to the revolving credit facility and the Term Loan A facility remain unchanged.

Note 7: Components of Net Periodic Benefit related to Pension and Other Postretirement Benefit Plans

	Three Months Ended August 31, 2024 and September 2, 2023					
	Pension Benefits				**Other Postretirement Benefits**	
	U.S. Plans		**Non-U.S. Plans**			
Net periodic (benefit) cost:	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Service cost	$ **-**	$ -	$ **350**	$ 422	$ **-**	$ -
Interest cost	**3,464**	3,475	**1,575**	1,454	**291**	301
Expected return on assets	**(6,555)**	(7,205)	**(1,643)**	(1,785)	**(2,727)**	(2,465)
Amortization:						
Prior service cost	**-**	-	**16**	16	**-**	-
Actuarial loss	**1,159**	635	**516**	506	**-**	-
Net periodic (benefit) cost	$ **(1,932)**	$ (3,095)	$ **814**	$ 613	$ **(2,436)**	$ (2,164)

	Nine Months Ended August 31, 2024 and September 2, 2023					
	Pension Benefits				**Other Postretirement Benefits**	
	U.S. Plans		**Non-U.S. Plans**			
Net periodic (benefit) cost:	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Service cost	$ **-**	$ -	$ **1,046**	$ 1,255	$ **-**	$ -
Interest cost	**10,391**	10,426	**4,705**	4,300	**875**	903
Expected return on assets	**(19,666)**	(21,617)	**(4,908)**	(5,277)	**(8,182)**	(7,394)
Amortization:						
Prior service cost	**-**	-	**48**	47	**-**	-
Actuarial loss	**3,478**	1,906	**1,540**	1,496	**-**	-
Net periodic (benefit) cost	$ **(5,797)**	$ (9,285)	$ **2,431**	$ 1,821	$ **(7,307)**	$ (6,491)

Service cost is included with employee compensation cost in cost of sales and selling, general and administrative expenses in the Consolidated Statements of Income. The components of our net periodic defined benefit pension and postretirement benefit costs other than service cost are presented in other income, net in the Consolidated Statements of Income.

Note 8: Accumulated Other Comprehensive Income (Loss)

The following table provides details of total comprehensive income (loss):

	Three Months Ended August 31, 2024				Three Months Ended September 2, 2023			
	H.B. Fuller Stockholders			Non-controlling Interest	H.B. Fuller Stockholders			Non-controlling Interest
	Pre-tax	Tax	Net	Net	Pre-tax	Tax	Net	Net
Net income attributable to H.B. Fuller and non-controlling interest			**$ 55,361**	**$ (22)**			$ 37,627	$ 23
Foreign currency translation[1]	**$ 33,324**	**$ -**	**33,324**	**31**	$ (8,710)	$ -	(8,710)	(7)
Defined benefit pension plans adjustment[2]	**1,689**	**(419)**	**1,270**	**-**	1,157	(294)	863	-
Interest rate swaps[3]	**(34,068)**	**8,324**	**(25,744)**	**-**	21,086	(5,188)	15,898	-
Net investment hedges[3]	**(10,892)**	**2,661**	**(8,231)**	**-**	(6,156)	1,515	(4,641)	-
Other comprehensive (loss) income	**$ (9,947)**	**$ 10,566**	**$ 619**	**$ 31**	$ 7,377	$ (3,967)	$ 3,410	$ (7)
Comprehensive income			**$ 55,980**	**$ 9**			$ 41,037	$ 16

	Nine Months Ended August 31, 2024				Nine Months Ended September 2, 2023			
	H.B. Fuller Stockholders			Non-controlling Interest	H.B. Fuller Stockholders			Non-controlling Interest
	Pretax	Tax	Net	Net	Pretax	Tax	Net	Net
Net income attributable to H.B. Fuller and non-controlling interest			**$ 137,615**	**$ 32**			$ 99,916	$ 71
Foreign currency translation adjustment[1]	**$ (12,922)**	**$ -**	**(12,922)**	**(10)**	$ 14,070	$ -	14,070	(12)
Defined benefit pension plans adjustment[2]	**5,065**	**(1,257)**	**3,808**	**-**	3,449	(877)	2,572	-
Interest rate swap[3]	**(23,851)**	**5,838**	**(18,013)**	**-**	19,557	(4,812)	14,745	-
Net investment hedges[3]	**(5,704)**	**1,386**	**(4,318)**	**-**	(13,694)	3,370	(10,324)	-
Other comprehensive (loss) income	**$ (37,412)**	**$ 5,967**	**$ (31,445)**	**$ (10)**	$ 23,382	$ (2,319)	$ 21,063	$ (12)
Comprehensive income			**$ 106,170**	**$ 22**			$ 120,979	$ 59

The components of accumulated other comprehensive loss are as follows:

	August 31, 2024		
	Total	H.B. Fuller Stockholders	Non-controlling Interest
Foreign currency translation adjustment	**$ (259,649)**	**$ (259,615)**	**$ (34)**
Defined benefit pension plans adjustment, net of taxes of $ 65,725	**(123,661)**	**(123,661)**	**-**
Interest rate swap, net of taxes of $ 4,378	**(13,541)**	**(13,541)**	**-**
Net investment hedges, net of taxes of $ 19,130	**(59,168)**	**(59,168)**	**-**
Reclassification of AOCI tax effects	**(18,341)**	**(18,341)**	**-**
Accumulated other comprehensive loss	**$ (474,360)**	**$ (474,326)**	**$ (34)**

	December 2, 2023		
	Total	H.B. Fuller Stockholders	Non-controlling Interest
Foreign currency translation adjustment	$ (246,736)	$ (246,692)	$ (44)
Defined benefit pension plans adjustment, net of taxes of $ 66,982	(127,469)	(127,469)	-
Interest rate swap, net of taxes of ($ 1,460)	4,472	4,472	-
Net investment hedges, net of taxes of $ 17,744	(54,850)	(54,850)	-
Reclassification of AOCI tax effects	(18,341)	(18,341)	-
Accumulated other comprehensive loss	$ (442,924)	$ (442,880)	$ (44)

Note 9: Income Taxes

Income tax expense for the three and nine months ended August 31, 2024 includes $2,937 and $4,147 of discrete tax benefit, respectively, relating to an excess tax benefit on U.S. stock compensation, as well as other various U.S. and foreign tax matters. Excluding the discrete tax benefit, the overall effective tax rate was 29.3 percent and 28.7 percent for the three and nine months ended August 31, 2024, respectively.

Income tax expense for the three and nine months ended September 2, 2023 includes $6,243 and $9,130 of discrete tax expense, respectively, relating to various U.S. and foreign tax matters. Excluding the discrete tax expense, the overall effective tax rate was 27.1 percent and 28.5 percent for the three and nine months ended September 2, 2023, respectively.

As of August 31, 2024, we had a liability of $ 13,368 recorded for gross unrecognized tax benefits (excluding interest) compared to $ 14,254 as of December 2, 2023. As of August 31, 2024 and December 2, 2023, we had accrued $ 6,622 and $6,310 of gross interest relating to unrecognized tax benefits, respectively.

Note 10: Earnings Per Share

A reconciliation of the common share components for the basic and diluted earnings per share calculations is as follows:

	Three Months Ended		Nine Months Ended	
(Shares in thousands)	August 31, 2024	September 2, 2023	August 31, 2024	September 2, 2023
Weighted-average common shares - basic	**54,975**	54,394	**54,874**	54,279
Equivalent shares from share-based compensations plans	**1,675**	1,639	**1,746**	1,611
Weighted-average common and common equivalent shares diluted	**56,650**	56,033	**56,620**	55,890

Basic earnings per share is calculated by dividing net income attributable to H.B. Fuller by the weighted-average number of common shares outstanding during the applicable period. Diluted earnings per share is based upon the weighted-average number of common and common equivalent shares outstanding during the applicable period. The difference between basic and diluted earnings per share is attributable to share-based compensation awards. We use the treasury stock method to calculate the effect of outstanding shares, which computes total employee proceeds as the sum of (a) the amount the employee must pay upon exercise of the award and (b) the amount of unearned share-based compensation costs attributed to future services. Share-based compensation awards for which total employee proceeds exceed the average market price over the applicable period have an antidilutive effect on earnings per share, and accordingly, are excluded from the calculation of diluted earnings per share.

Share-based compensation awards of 517,442 and 1,025,337 shares for the three months ended August 31, 2024 and September 2, 2023, respectively, and 957,127 and 1,164,870 shares for the nine months ended August 31, 2024 and September 2, 2023, respectively, were excluded from diluted earnings per share calculations because they were antidilutive.

Note 11: Financial Instruments

Overview

As a result of being a global enterprise, our earnings, cash flows and financial position are exposed to foreign currency risk from foreign currency denominated receivables and payables. Foreign currency exchange rates and fluctuations in those rates may affect the Company's net investment in foreign subsidiaries.

We use foreign currency forward contracts, cross-currency swaps, interest rate swaps and net investment hedges to manage risks associated with foreign currency exchange rates and interest rates. We do not hold derivative financial instruments of a speculative nature or for trading purposes. We record derivatives as assets and liabilities on the balance sheet at fair value. Changes in fair value are recognized immediately in earnings unless the derivative qualifies and is designated as a hedge. Cash flows from derivatives are classified in the Consolidated Statement of Cash Flows in the same category as the cash flows from the items subject to designated hedge or undesignated (economic) hedge relationships. We evaluate hedge effectiveness at inception and on an ongoing basis. If a derivative is no longer expected to be effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is recorded in earnings.

We are exposed to credit risk in the event of nonperformance of counterparties for foreign currency forward exchange contracts and interest rate swap agreements. We select investment-grade multinational banks and financial institutions as counterparties for derivative transactions and monitor the credit quality of each of these banks on a periodic basis as warranted. We do not anticipate nonperformance by any of these counterparties, and valuation allowances, if any, are de minimis.

Cash Flow Hedges

On January 12, 2023, we entered into an interest rate swap agreement to convert $ 400,000 of our variable rate 1-month LIBOR debt to a fixed rate of 3.6895 percent that matures on January 12, 2028. On February 28, 2023, after refinancing our debt, we amended t he interest rate swap agreement to our 1-month SOFR rate debt to a fixed rate of 3.7260 in accordance with the practical expedients included in ASC 848, *Reference Rate Reform*. The combined fair value of the interest rate swap was a liability of $3,168 at August 31, 2024 and was included in other liabilities in the Consolidated Balance Sheets. The swap was designated for hedge accounting treatment as a cash flow hedge. We are applying the hypothetical derivative method to assess hedge effectiveness for this interest rate swap. Changes in the fair value of a hypothetically perfect swap with terms that match the critical terms of our variable rate debt are compared with the change in the fair value of the swap.

On March 16, 2023, we entered into an interest rate swap agreement to convert $ 300,000 of our 1-month SOFR debt to a fixed rate of 3.7210 percent that matures on February 15, 2028. The combined fair value of the interest rate swap was a liability of $2,905 at August 31, 2024 and was included in other liabilities in the Consolidated Balance Sheets. The swap was designated for hedge accounting treatment as a cash flow hedge. We are applying the hypothetical derivative method to assess hedge effectiveness for this interest rate swap. Changes in the fair value of a hypothetically perfect swap with terms that match the critical terms of our variable rate debt are compared with the change in the fair value of the swaps.

On March 16, 2023, we entered into an interest rate swap agreement to convert $ 100,000 of our 1-month SOFR debt to a fixed rate of 3.8990 percent that matures on February 15, 2028. The combined fair value of the interest rate swap was a liability of $1,404 at August 31, 2024 and was included in other liabilities in the Consolidated Balance Sheets. The swap was designated for hedge accounting treatment as a cash flow hedge. We are applying the hypothetical derivative method to assess hedge effectiveness for these interest rate swaps. Changes in the fair value of a hypothetically perfect swap with terms that match the critical terms of our variable rate debt are compared with the change in the fair value of the swaps.

The amounts of pretax (losses) gains recognized in Comprehensive Income related to derivative instruments designated as cash flow hedges are as follows:

	Three Months Ended		**Nine Months Ended**	
	August 31, 2024	**September 2, 2023**	**August 31, 2024**	**September 2, 2023**
Interest rate swap contracts	**(34,068)**	21,086	**(23,851)**	19,557

Fair Value Hedges

On February 12, 2021, we entered into interest rate swap agreements to convert our $ 300,000 Public Notes that were issued on October 20, 2020 to a variable interest rate of 1-month LIBOR plus 3.28 percent. On June 30, 2023, 1-month LIBOR rates ceased to exist and the IBOR Fallbacks Protocol published by the International Swaps and Derivatives Association ("ISDA") took effect as outlined in the interest rate swap agreement. As a result, the interest rate swap agreement was converted to Overnight SOFR plus 3.28 percent. We applied the practical expedients included in ASC 848, *Reference Rate Reform*. These interest rate swap agreements mature on October 15, 2028. The combined fair value of the interest rate swaps was a liability of $31,059 at August 31, 2024, and was included in other liabilities in the Consolidated Balance Sheets. The swaps were designated for hedge accounting treatment as fair value hedges. We apply the short cut method and assume hedge effectiveness. Changes in the fair value of a hypothetically perfect swap with terms that match the critical terms of our $300,000 fixed rate Public Notes are compared with the change in the fair value of the swaps.

Net Investment Hedges

On October 17, 2022, we entered into a float-to-float cross-currency interest rate swap agreement with a notional amount of €307,173 maturing in October 2028. On October 20, 2022, we entered into fixed-to-fixed cross-currency interest rate swap agreements for a total notional amount of €300,000 with tranches maturing in August 2025, August 2026 and February 2027. On June 30, 2023, 1-month LIBOR rates ceased to exist and the IBOR Fallbacks Protocol published by the International Swaps and Derivatives Association (ISDA) took effect as outlined in the interest rate swap agreement. As a result, the 1-month LIBOR leg of the float-to-float agreement was converted to Overnight SOFR plus 3.28 percent. On July 17, 2023, we amended the 1-month EURIBOR leg of the float-to-float agreement to Overnight ESTR plus 3.2195 percent. We applied the practical expedients included in ASC 848, *Reference Rate Reform*. As of August 31, 2024, the combined fair value of the swaps was a liability of $78,304 and was included in other liabilities in the Consolidated Balance Sheets. The cross-currency interest rate swaps hedge a portion of the Company's investment in Euro denominated foreign subsidiaries.

The swaps are designated as net investment hedges for accounting treatment. The net gains or losses attributable to changes in spot exchange rates are recorded in the cumulative translation adjustment within other comprehensive income. The gains or losses are reclassified into earnings upon a liquidation event or deconsolidation of the foreign subsidiary. Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. The amount in accumulated other comprehensive income (loss) related to net investment hedge cross-currency swaps was a loss of $59,168 of August 31, 2024. The amounts of pretax loss recognized in comprehensive income related to the net investment hedge was $10,892 for the three months ended August 31, 2024. As of August 31, 2024, we did not reclassify any gains or losses into earnings from net investment hedges and we do not expect to reclassify any such gain or loss into earnings within the next twelve months. No amounts related to net investment hedges have been excluded from the assessment of hedge effectiveness.

Derivatives Not Designated as Hedging Instruments

We use foreign currency forward contracts to offset our exposure to the change in value of certain foreign currency denominated assets and liabilities held at foreign subsidiaries that are remeasured at the end of each period. Although the contracts are effective economic hedges, they are not designated as accounting hedges. Foreign currency forward contracts are recorded as assets and liabilities on the balance sheet at fair value. Changes in the value of these derivatives are recognized immediately in earnings, thereby offsetting the current earnings effect of the related foreign currency denominated assets and liabilities. See Note 12 for the fair value amounts of these derivative instruments.

As of August 31, 2024, we had forward foreign currency contracts maturing between September 3, 2024 and February 5, 2025. The mark-to-market effect associated with these contracts was largely offset by the underlying transaction gains and losses resulting from the foreign currency exposures for which these contracts relate.

The amounts of pretax gains losses recognized in other income, net related to derivative instruments not designated as hedging instruments for the nine months ended August 31, 2024 and September 2, 2023 were $1,524 and $798, respectively.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of entities in the customer base and their dispersion across many different industries and countries. As of August 31, 2024, there were no significant concentrations of credit risk.

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Note 12: Fair Value Measurements

Overview

Estimates of fair value for financial assets and liabilities are based on the framework established in the accounting guidance for fair value measurements. The framework defines fair value, provides guidance for measuring fair value and requires certain disclosures. The framework discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). The framework utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect management's assumptions, and include situations where there is little, if any, market activity for the asset or liability.

Balances Measured at Fair Value on a Recurring Basis

The following table presents information about our financial assets and liabilities that are measured at fair value on a recurring basis as of August 31, 2024 and December 2, 2023, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

Description	August 31, 2024	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets:				
Marketable securities	$ **3,222**	$ **3,222**	$ **-**	$ **-**
Foreign exchange contract assets	**5,610**	**-**	**5,610**	**-**
Liabilities:				
Foreign exchange contract liabilities	$ **7,134**	$ **-**	**7,134**	$ **-**
Interest rate swaps, cash flow hedge liabilities	**7,477**		**7,477**	
Interest rate swaps, fair value hedge liabilities	**31,059**	**-**	**31,059**	**-**
Net investment hedge liabilities	**78,304**	**-**	**78,304**	**-**
Contingent consideration liability	**500**	**-**	**-**	**500**

Description	December 2, 2023	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets:				
Marketable securities	$ 19,314	$ 19,314	$ -	$ -
Foreign exchange contract assets	13,501	-	13,501	-
Interest rate swaps, cash flow hedge assets	3,632	-	3,632	-
Liabilities:				
Foreign exchange contract liabilities	$ 5,004	$ -	$ 5,004	$ -
Interest rate swaps, cash flow hedge liabilities	63	-	63	
Interest rate swaps, fair value hedge liabilities	41,532	-	41,532	
Net investment hedge liabilities	72,589	-	72,589	-
Contingent consideration liabilities	1,370	-	-	1,370

The valuation of our contingent consideration liability related to the acquisition of TissueSeal and was $ 500 as of August 31, 2024. The contingent consideration of $870 related to the acquisition of GSSI was paid in the first quarter of 2024. Adjustments to the fair value of contingent consideration are recorded to selling, general and administrative expenses in the Statement of Income. See Note 2 for further discussion regarding our acquisitions. The following table provides details of the contingent consideration liabilities:

		Amounts
Balance at December 2, 2023	$	1,370
Contingent consideration payment		(870)
Balance at August 31, 2024	**$**	**500**

Balances Measured at Fair Value on a Nonrecurring Basis

We measure certain assets and liabilities at fair value on a nonrecurring basis. These assets include intangible assets acquired in an acquisition. The identified intangible assets of customer relationships, technology and tradenames acquired in connection with our acquisitions were measured using unobservable (Level 3) inputs. The fair value of the intangible assets was calculated using either the income or cost approach. Significant inputs include estimated revenue growth rates, gross margins, operating expenses, attrition rate, royalty rate and discount rate.

See Note 2 for further discussion regarding our acquisitions.

Balances Disclosed at Fair Value

Long-term debt had an estimated fair value of $2,019,615 and $1,785,199 as of August 31, 2024 and December 2, 2023, respectively. The fair value of long-term debt is based on quoted market prices for the same or similar issues or on the current rates offered for debt of similar maturities. The estimated fair value of these long-term obligations is not necessarily indicative of the amount that would be realized in a current market exchange.

Note 13: Commitments and Contingencies

Environmental Matters

We are involved in environmental investigations, clean-up activities and administrative proceedings related to environmental compliance matters at former and current operating facilities. We have also been identified as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and/or similar state laws that impose liability for costs relating to the clean-up of contamination resulting from past spills, disposal or other release of hazardous substances associated with landfills and/or hazardous waste sites. As a PRP, we may be required to pay a share of the costs of investigation and clean-up of these sites. We are subject to similar laws in some of the countries where current and former facilities are located. Our environmental, health and safety department monitors compliance with applicable laws on a global basis. To the extent we can reasonably estimate the amount of our probable liabilities for environmental matters, we establish an undiscounted financial provision. We recorded liabilities of $3,974 and $5,034 as of August 31, 2024 and December 2, 2023, respectively, for probable and reasonably estimable environmental remediation costs. Of the amount reserved, $1,483 and $2,301 as of August 31, 2024 and December 2, 2023, respectively, is attributable to a facility we own in Simpsonville, South Carolina as a result of our Royal Adhesives acquisition that is a designated site under CERCLA.

While uncertainties exist with respect to the amounts and timing of the ultimate environmental liabilities, based on currently available information, we have concluded that these matters, individually or in the aggregate, will not have a material adverse effect on our results of operations, financial condition or cash flow.

Other Legal Proceedings

From time to time and in the ordinary course of business, we are a party to, or a target of, lawsuits, claims, investigations and proceedings, including product liability, personal injury, contract, patent and intellectual property, environmental, health and safety, tax and employment matters. While we are unable to predict the outcome of these matters, we have concluded, based upon currently available information, that the ultimate resolution of any pending matter, individually or in the aggregate, including the asbestos litigation described in the following paragraphs, will not have a material adverse effect on our results of operations, financial condition or cash flow.

We have been named as a defendant in lawsuits in which plaintiffs have alleged injury due to products containing asbestos manufactured more than 35 years ago. The plaintiffs generally bring these lawsuits against multiple defendants and seek damages (both actual and punitive) in very large amounts. In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable injuries or that the injuries suffered were the result of exposure to products manufactured by us. We are typically dismissed as a defendant in such cases without payment. If the plaintiff presents evidence indicating that compensable injury occurred as a result of exposure to our products, the case is generally settled for an amount that reflects the seriousness of the injury, the length, intensity and character of exposure to products containing asbestos, the number and solvency of other defendants in the case, and the jurisdiction in which the case has been brought.

A significant portion of the defense costs and settlements in asbestos-related litigation is paid by third parties, including indemnification pursuant to the provisions of a 1976 agreement under which we acquired a business from a third party. Currently, this third party is defending and paying settlement amounts, under a reservation of rights, in most of the asbestos cases tendered to the third party.

In addition to the indemnification arrangements with third parties, we have insurance policies that generally provide coverage for asbestos liabilities, including defense costs. Historically, insurers have paid a significant portion of our defense costs and settlements in asbestos-related litigation. However, certain of our insurers are insolvent. We have entered into cost-sharing agreements with our insurers that provide for the allocation of defense costs and settlements and judgments in asbestos-related lawsuits. These agreements require, among other things, that we fund a share of settlements and judgments allocable to years in which the responsible insurer is insolvent.

A summary of the number of and settlement amounts for asbestos-related lawsuits and claims is as follows:

	Nine Months Ended		3 Years Ended
	August 31, 2024	**September 2, 2023**	**December 2, 2023**
Lawsuits and claims settled	**9**	6	18
Settlement amounts	$ **1,208**	$ 3,985	$ 4,581
Insurance payments received or expected to be received	$ **844**	$ 2,307	$ 2,629

We do not believe that it would be meaningful to disclose the aggregate number of asbestos-related lawsuits filed against us because relatively few of these lawsuits are known to involve exposure to asbestos-containing products that we manufactured. Rather, we believe it is more meaningful to disclose the number of lawsuits that are settled and result in a payment to the plaintiff. To the extent we can reasonably estimate the amount of our probable liabilities for pending asbestos-related claims, we establish a financial provision and a corresponding receivable for insurance recoveries.

In February 2024, the named plaintiffs in *Rouse et al. v. H.B. Fuller Company et al.* filed a third amended complaint in their lawsuit against the Company and one of its subsidiaries, which was initiated in September 2022. The suit is pending in the federal District of Minnesota and seeks damages arising from property damage attributed to alleged defects in grout sold by the Company or its affiliates. The named plaintiffs seek to represent a class but have not yet moved for class certification. The Company intends to vigorously defend itself against the claims outlined in this lawsuit. As of August 31, 2024, we are unable to estimate any possible loss or range of possible losses and have not recorded a loss contingency for this matter.

Based on currently available information, we have concluded that the resolution of any pending matter, including asbestos-related litigation, individually or in the aggregate, will not have a material adverse effect on our results of operations, financial condition or cash flow.

Note 14: Share Repurchase Program

On April 22, 2022, the Board of Directors authorized a share repurchase program of up to $ 300,000 of our outstanding common shares for a period of up to five years. Under the program, we are authorized to repurchase shares for cash on the open market, from time to time, in privately negotiated transactions or block transactions, or through an accelerated repurchase agreement. The timing of such repurchases is dependent on price, market conditions and applicable regulatory requirements. Upon repurchasing shares, we reduce our common stock for the par value of the shares with the excess being applied against additional paid-in capital.

During the third quarter of 2024, we repurchased shares under this program with an aggregate value of $ 17,549. Of this amount, $225 reduced common stock and $17,324 reduced additional paid-in capital. During the nine months ended August 31, 2024, we repurchased shares under this program with an aggregate value of $31,811. Of this amount $407 reduced common stock and $31,404 reduced additional paid-in capital. There were no shares repurchased under this program during the third quarter and first nine months of 2023.

Note 15: Segments

We are required to report segment information in the same way that we internally organize our business for assessing performance and making decisions regarding allocation of resources. Revenue and operating income of each of our segments are regularly reviewed by our chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance. Segment operating income is identified as gross profit less SG&A expenses. Corporate expenses, other than those included in Corporate Unallocated, are allocated to each operating segment. Consistent with our internal management reporting, Corporate Unallocated amounts include business acquisition and integration costs, organizational restructuring charges and project costs associated with implementing a global Enterprise Resource Planning ("ERP") system that we refer to as Project ONE. Corporate assets are not allocated to the operating segments. Inter-segment revenues are recorded at cost plus a markup for administrative costs.

We have three reportable segments: Hygiene, Health and Consumable Adhesives, Engineering Adhesives and Construction Adhesives. The business components within each operating segment are managed to maximize the results of the overall operating segment rather than the results of any individual business component of the operating segment. Results of individual components of each operating segment are subject to numerous allocations of segment-wide costs that may or may not have been focused on that particular component for a particular reporting period. The costs for these allocated resources are not tracked on a "where-used" basis as financial performance is assessed at the total operating segment level.

The table below provides certain information regarding net revenue and operating income (loss) for each of our operating segments.

	Three Months Ended			
	August 31, 2024		**September 2, 2023**	
	Net Revenue	**Operating Income (Loss)**	**Net Revenue**	**Operating Income (Loss)**
Hygiene, Health and Consumable Adhesives	$ **389,854**	$ **49,782**	$ 402,388	$ 52,737
Engineering Adhesives	**374,923**	**52,865**	365,862	52,931
Construction Adhesives	**153,150**	**12,543**	132,384	5,853
Total segment	$ **917,927**	$ **115,190**	$ 900,634	$ 111,521
Corporate Unallocated	**-**	**(10,849)**	-	(20,202)
Total	$ **917,927**	$ **104,341**	$ 900,634	$ 91,319

	Nine Months Ended			
	August 31, 2024		September 2, 2023	
	Net Revenue	Operating Income (Loss)	Net Revenue	Operating Income (Loss)
Hygiene, Health and Consumable Adhesives	**$ 1,150,658**	**$ 147,147**	$ 1,190,402	$ 149,474
Engineering Adhesives	**1,077,206**	**139,522**	1,063,009	129,806
Construction Adhesives	**417,588**	**20,342**	354,644	2,189
Total segment	**$ 2,645,452**	**$ 307,011**	$ 2,608,055	$ 281,469
Corporate Unallocated	**-**	**(35,198)**	-	(39,734)
Total	**$ 2,645,452**	**$ 271,813**	$ 2,608,055	$ 241,735

The table below provides a reconciliation of operating income to income before income taxes and income from equity method investments:

	Three Months Ended		Nine Months Ended	
	August 31, 2024	September 2, 2023	August 31, 2024	September 2, 2023
Operating income	**$ 104,341**	$ 91,319	**$ 271,813**	$ 241,735
Other income, net	**2,148**	1,555	**7,282**	4,764
Interest expense	**(35,288)**	(35,105)	**(99,504)**	(101,305)
Interest income	**1,092**	1,128	**3,597**	2,726
Income before income taxes and income from equity method investments	**$ 72,293**	$ 58,897	**$ 183,188**	$ 147,920

We view the following disaggregation of net revenue by geographic region as useful to understanding the composition of revenue recognized during the respective reporting periods:

	Three Months Ended August 31, 2024			
	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total
Americas	**$ 222,605**	**$ 164,343**	**$ 115,464**	**$ 502,412**
EIMEA	**115,960**	**109,742**	**29,387**	**255,089**
Asia Pacific	**51,289**	**100,838**	**8,299**	**160,426**
Total	**$ 389,854**	**$ 374,923**	**$ 153,150**	**$ 917,927**

	Three Months Ended September 2, 2023			
	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total
Americas	$ 227,947	$ 147,115	$ 100,510	$ 475,572
EIMEA	127,080	109,151	23,443	259,674
Asia Pacific	47,361	109,596	8,431	165,388
Total	$ 402,388	$ 365,862	$ 132,384	$ 900,634

	Nine Months Ended August 31, 2024			
	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total
Americas	**$ 665,979**	**$ 456,610**	**$ 310,280**	**$ 1,432,869**
EIMEA	**332,480**	**331,341**	**83,895**	**747,716**
Asia Pacific	**152,199**	**289,255**	**23,413**	**464,867**
Total	**$ 1,150,658**	**$ 1,077,206**	**$ 417,588**	**$ 2,645,452**

	Nine Months Ended September 2, 2023			
	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total
Americas	$ 688,890	$ 429,824	$ 273,116	$ 1,391,830
EIMEA	348,876	341,710	57,938	748,524
Asia Pacific	152,636	291,475	23,590	467,701
Total	$ 1,190,402	$ 1,063,009	$ 354,644	$ 2,608,055

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the MD&A included in our Annual Report on Form 10-K for the year ended December 2, 2023 for important background information related to our business.

Net revenue in the third quarter of 2024 increased 1.9 percent from the third quarter of 2023. Net revenue increased 3.0 percent due to acquisitions and 3.0 percent due to sales volume, partially offset by a 2.6 percent decrease in pricing and a 1.5 percent decrease due to negative currency effect compared to the third quarter of 2023. The negative currency effects were primarily driven by aweaker Egyptian pound, Turkish lira and Brazilian real compared to the U.S. dollar. Gross profit margin increased 70 basis points primarily due to lower raw material costs and higher sales volume partially offset by lower product pricing.

Net revenue in the first nine months of 2024 increased 1.4 percent from the first nine months of 2023. Net revenue increased 3.9 percent due to acquisitions and 1.9 percent due to sales volume, partially offset by a 3.1 percent decrease in pricing and a 1.3 percent decrease due to negative currency effect compared to the first nine months of 2023. The negative currency effects were primarily driven by a weaker Turkish lira, Chinese renminbi and Egyptian pound offset by a stronger British pound sterling and Mexican peso compared to the U.S. dollar. Gross profit margin increased 190 basis points primarily due to lower raw material costs and higher sales volume partially offset by lower product pricing.

Net income attributable to H.B. Fuller in the third quarter of 2024 was $55.4 million compared to $37.6 million in the third quarter of 2023. Diluted earnings per share for the third quarter of 2024 was $0.98 per share compared to $0.67 per share for the third quarter of 2023.

Net income attributable to H.B. Fuller in the first nine months of 2024 was $137.6 million compared to $99.9 million in the first nine months of 2023. Diluted earnings per share for the first nine months of 2024 was $2.43 per share compared to $1.79 per share for the first nine months of 2023.

Restructuring Plans

During the second and third quarters of 2023, the Company approved restructuring plans (the "Plans") related to organizational changes and other actions to optimize operations and integrate acquired businesses. In implementing the Plans, the Company currently expects to incur costs of approximately $39.1 million to $50.1 million ($30.4 million to $39.0 million after-tax), which include (i) cash expenditures of approximately $28.4 million to $29.6 million ($22.0 million to $23.0 million after tax) for severance and related employee costs globally and (ii) other restructuring costs related to the streamlining of processes and the payment of anticipated income taxes in certain jurisdictions related to the Plans. We have incurred costs of $43.0 million under the Plans as of August 31, 2024. The Plans were implemented in the second quarter of fiscal year 2023 and are currently expected to be completed during fiscal year 2026. The restructuring costs will be spread across the next several fiscal quarters as the measures are implemented with the majority of the charges recognized and cash payments occurring in fiscal 2023 and 2024.

Results of Operations

Net revenue:

($ in millions)	Three Months Ended August 31, 2024	Three Months Ended September 2, 2023	Three Months Ended 2024 vs 2023	Nine Months Ended August 31, 2024	Nine Months Ended September 2, 2023	Nine Months Ended 2024 vs 2023
Net revenue	$ 917.9	$ 900.6	1.9%	$ 2,645.5	$ 2,608.1	1.4%

We review variances in net revenue in terms of changes related to sales volume, product pricing, business acquisitions and divestitures (“M&A”) and changes in foreign currency exchange rates. The following table shows the net revenue variance analysis for the third quarter and first nine months of 2024 compared to the three and nine months ended September 2, 2023:

	Three Months Ended August 31, 2024 vs. September 2, 2023	Nine Months Ended August 31, 2024 vs. September 2, 2023
Organic growth	0.4%	(1.2)%
M&A	3.0%	3.9%
Currency	(1.5)%	(1.3)%
Total	1.9%	1.4%

Organic revenue increased 0.4 percent in the third quarter of 2024 compared to the third quarter of 2023 and consisted of a 10.2 percent increase in Construction Adhesives, partially offset by a 2.0 percent decrease in Engineering Adhesives and a 0.5 percent decrease in Hygiene, Health and Consumable Adhesives. The increase was driven by a 3.0 percent increase in sales volume, partially offset by a 2.6 percent decrease in product pricing. The 3.0 percent increase from M&A was due to our acquisitions that occurred in the last twelve months. The negative 1.5 percent foreign currency impact was primarily driven by a weaker Egyptian pound, Turkish lira and Brazilian real compared to the U.S. dollar compared to the U.S. dollar.

Organic revenue decreased 1.2 percent in the first nine months of 2024 compared to the first nine months of 2023 and consisted of an 9.0 percent increase in Construction Adhesives, offset by a 4.8 percent decrease in Hygiene, Health and Consumable Adhesives and a 0.7 percent decrease in Engineering Adhesives. The decrease was driven by a 3.1 percent decrease in product pricing, partially offset by a 1.9 percent increase in sales volume. The 3.9 percent increase from M&A was due to our acquisitions that occurred in the last twelve months. The negative 1.3 percent foreign currency impact was primarily driven by a weaker Turkish lira, Chinese renminbi and Egyptian pound offset by a stronger British pound sterling and Mexican peso compared to the U.S. dollar.

Cost of sales:

	Three Months Ended			Nine Months Ended		
($ in millions)	August 31, 2024	September 2, 2023	2024 vs 2023	August 31, 2024	September 2, 2023	2024 vs 2023
Cost of sales	$ 642.2	$ 637.2	0.8%	$ 1,848.5	$ 1,873.0	(1.3)%
Percent of net revenue	70.1%	70.8%		69.9%	71.8%	

Cost of sales in the third quarter of 2024 compared to the third quarter of 2023 decreased 70 basis points as a percentage of net revenue. Raw material cost as a percentage of net revenue decreased 170 basis points in 2024 compared to 2023 due to lower raw material costs. Other manufacturing costs as a percentage of net revenue increased 100 basis points in 2024 compared to 2023 due to a decrease in product pricing partially offset by higher sales volume.

Cost of sales in the first nine months of2024 compared to the first nine months of2023 decreased 190 basis points as a percentage of net revenue. Raw material cost as a percentage of net revenue decreased 300 basis points in 2024 compared to 2023 due to lower raw material costs. Other manufacturing costs as a percentage of net revenue increased 110 basis points in 2024 compared to 2023 primarily due to a decrease in product pricing partially offset by higher sales volume.

Gross profit:

	Three Months Ended			Nine Months Ended		
($ in millions)	August 31, 2024	September 2, 2023	2024 vs 2023	August 31, 2024	September 2, 2023	2024 vs 2023
Gross profit	$ 275.7	$ 263.5	4.6%	$ 797.0	$ 735.1	8.4%
Percent of net revenue	30.0%	29.3%		30.1%	28.2%	

Gross profit in the third quarter of 2024 increased 4.6 percent and gross profit margin increased 70 basis points compared to the third quarter of 2023. The increase in gross profit margin was due to a 170 basis point decrease in raw materials offset by a 100 basis point increase in other manufacturing costs.

Gross profit in the first nine months of 2024 increased 8.4 percent and gross profit margin increased 190 basis points compared to the first nine months of 2023. The increase in gross profit margin was due to a 300 basis point decrease in raw materials offset by a 110 basis point increase in other manufacturing costs.

Selling, general and administrative (SG&A) expenses:

	Three Months Ended			Nine Months Ended		
($ in millions)	August 31, 2024	September 2, 2023	2024 vs 2023	August 31, 2024	September 2, 2023	2024 vs 2023
SG&A	$ 171.4	$ 172.2	(0.5)%	$ 525.2	$ 493.3	6.5%
Percent of net revenue	18.7%	19.1%		19.9%	18.9%	

SG&A expenses for the third quarter of 2024 compared to the third quarter of 2023 decreased 40 basis points as a percentage of net revenue. The decrease was due to a gain on insurance claims, partially offset by the impact of acquisitions.

SG&A expenses for the first nine months of 2024 compared to the first nine months of 2023 increased 100 basis points as a percentage of net revenue. The increase was due to the impact of acquisitions and higher compensation costs, partially offset by a gain on insurance claims.

Other income, net:

	Three Months Ended			Nine Months Ended		
($ in millions)	August 31, 2024	September 2, 2023	2024 vs 2023	August 31, 2024	September 2, 2023	2024 vs 2023
Other income, net	$ 2.1	$ 1.6	31.3%	$ 7.3	$ 4.8	52.1%

Other income, net in the third quarter of 2024 included $4.0 million of net defined benefit pension benefits, and $0.3 million of currency transaction gains, partially offset by a $2.0 million loss on equity investment and $0.2 million of other expense. Other income, net in the third quarter of 2023 included $5.1 million of net defined benefit pension benefits and $0.3 million of other income, partially offset by $3.2 million of currency transaction losses.

Other income, net in the first nine months of 2024 included $11.9 million of net defined benefit pension benefits, partially offset by $2.0 million of currency transaction losses, a $2.0 million loss on equity investment and $0.6 million of other expense. Other income, net in the first nine months of 2023 included $15.2 million of net defined benefit pension benefits and $0.4 million of other income, partially offset by $10.8 million of currency transaction losses.

Interest expense:

	Three Months Ended			Nine Months Ended		
($ in millions)	August 31, 2024	September 2, 2023	2024 vs 2023	August 31, 2024	September 2, 2023	2024 vs 2023
Interest expense	$ 35.3	$ 35.1	0.6%	$ 99.5	$ 101.3	(1.8)%

Interest expense in the third quarter of 2024 was $35.3 million compared to $35.1 million in the third quarter of 2023 and was higher primarily due to higher debt balances, partially offset by lower interest rates.

Interest expense in the first nine months of2024 was $99.5 million compared to $101.3 million in the first nine months of2023 and was lower primarily due to lower interest rates, partially offset by higher debt balances.

Interest income:

($ in millions)	Three Months Ended August 31, 2024	Three Months Ended September 2, 2023	2024 vs 2023	Nine Months Ended August 31, 2024	Nine Months Ended September 2, 2023	2024 vs 2023
Interest income	$ 1.1	$ 1.1	(0.0)%	$ 3.6	$ 2.7	33.3%

Interest income in the third quarter of 2024 and 2023 was $1.1 million and $1.1 million, respectively, consisting primarily of interest on cross-currency swap activity and other miscellaneous interest income.

Interest income in the first nine months of 2024 and 2023 was $3.6 million and $2.7 million, respectively, consisting primarily of interest on cross-currency swap activity and other miscellaneous interest income.

Income taxes:

($ in millions)	Three Months Ended August 31, 2024	Three Months Ended September 2, 2023	2024 vs 2023	Nine Months Ended August 31, 2024	Nine Months Ended September 2, 2023	2024 vs 2023
Income taxes	$ 18.3	$ 22.2	(17.6)%	$ 48.5	$ 51.3	(5.5)%
Effective tax rate	25.3%	37.7%		26.5%	34.6%	

Income tax expense of $18.3 million in the third quarter of 2024 includes $2.9 million of discrete tax benefit. Excluding the discrete tax benefit, the overall effective tax rate was 29.3 percent. The discrete tax benefit relates to an excess tax benefit on U.S. stock compensation, as well as other various U.S. and foreign tax matters. Income tax expense of $22.2 million in the third quarter of 2023 includes $6.2 million of discrete tax expense. Excluding the discrete tax expense, the overall effective tax rate was 27.1 percent. The discrete tax expense related to various U.S. and foreign tax matters.

Income tax expense of $48.5 million in the first nine months of 2024 includes $4.1 million of discrete tax benefit. Excluding the discrete tax benefit, the overall effective tax rate was 28.7 percent. The discrete tax benefit relates to an excess tax benefit on U.S. stock compensation, as well as other various U.S. and foreign tax matters. Income tax expense of $51.3 million in the first nine months of 2023 includes $9.1 million of discrete tax expense. Excluding the discrete tax expense, the overall effective tax rate was 28.5 percent. The discrete tax expense related to various U.S. and foreign tax matters offset by an excess tax benefit related to U.S. stock compensation.

Income from equity method investments:

	Three Months Ended			Nine Months Ended		
($ in millions)	August 31, 2024	September 2, 2023	2024 vs 2023	August 31, 2024	September 2, 2023	2024 vs 2023
Income from equity method investments	$ 1.3	$ 1.0	30.0%	$ 3.0	$ 3.3	(9.1)%

The income from equity method investments relates to our 50 percent ownership of the Sekisui-Fuller joint venture in Japan. The higher income for the third quarter of 2024 compared to the third quarter of 2023 is due to higher net income in our joint venture during the quarter compared to the prior year, partially offset by the impact of the weakening of the Japanese yen compared to the U.S. dollar. The lower income for the first nine months of 2024compared to the first nine months of 2023 is due to the impact of the weakening of the Japanese yen compared to the U.S. dollar.

Net income attributable to H.B. Fuller:

	Three Months Ended			Nine Months Ended		
($ in millions)	August 31, 2024	September 2, 2023	2024 vs 2023	August 31, 2024	September 2, 2023	2024 vs 2023
Net income attributable to H.B. Fuller	$ 55.4	$ 37.6	47.3%	$ 137.6	$ 99.9	37.7%
Percent of net revenue	6.0%	4.2%		5.2%	3.8%	

The net income attributable to H.B. Fuller for the third quarter of 2024 was $55.4 million compared to $37.6 million for the third quarter of 2023. The diluted earnings per share for the third quarter of 2024 was $0.98 per share as compared to $0.67 per share for the third quarter of 2023.

The net income attributable to H.B. Fuller for the first nine months of 2024 was $137.6 million compared to $99.9 million for the first nine months of 2023. The diluted earnings per share for the first nine months of 2024 was $2.43 per share as compared to $1.79 per share for the first nine months of 2023.

Operating Segment Results

We have three reportable segments: Hygiene, Health and Consumable Adhesives, Engineering Adhesives and Construction Adhesives. Operating results of each of these segments are regularly reviewed by our chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance.

The tables below provide certain information regarding the net revenue and operating income of each of our operating segments.

Corporate Unallocated amounts include business acquisition and integration costs, organizational restructuring charges and project costs associated with implementing a global Enterprise Resource Planning ("ERP") system that we refer to as Project ONE.

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Net Revenue by Segment:

($ in millions)	Three Months Ended				Nine Months Ended			
	August 31, 2024		September 2, 2023		August 31, 2024		September 2, 2023	
	Net Revenue	**% of Total**	**Net Revenue**	**% of Total**	**Net Revenue**	**% of Total**	**Net Revenue**	**% of Total**
Hygiene, Health and Consumable Adhesives	**$ 389.9**	**42%**	$ 402.4	45%	**$ 1,150.7**	**43%**	$ 1,190.4	46%
Engineering Adhesives	**374.9**	**41%**	365.8	40%	**1,077.2**	**41%**	1,063.0	40%
Construction Adhesives	**153.1**	**17%**	132.4	15%	**417.6**	**16%**	354.7	14%
Segment total	**$ 917.9**	**100%**	$ 900.6	100%	**$ 2,645.5**	**100%**	$ 2,608.1	100%
Corporate Unallocated	**-**	**-**	-	-	**-**	**-**	-	-
Total	**$ 917.9**	**100%**	$ 900.6	100%	**$ 2,645.5**	**100%**	$ 2,608.1	100%

Segment Operating Income (Loss):

($ in millions)	Three Months Ended				Nine Months Ended			
	August 31, 2024		September 2, 2023		August 31, 2024		September 2, 2023	
	Segment Operating Income (Loss)	**% of Total**	**Segment Operating Income (Loss)**	**% of Total**	**Segment Operating Income (Loss)**	**% of Total**	**Segment Operating Income (Loss)**	**% of Total**
Hygiene, Health and Consumable Adhesives	**$ 49.8**	**48%**	$ 52.7	58%	**$ 147.2**	**55%**	$ 149.5	62%
Engineering Adhesives	**52.9**	**50%**	52.9	58%	**139.5**	**51%**	129.8	54%
Construction Adhesives	**12.5**	**12%**	5.9	6%	**20.3**	**7%**	2.2	(0)%
Segment total	**$ 115.2**	**110%**	$ 111.5	122%	**$ 307.0**	**113%**	$ 281.5	116%
Corporate Unallocated	**(10.9)**	**(10)%**	(20.2)	(22)%	**(35.2)**	**(13)%**	(39.8)	(16)%
Total	**$ 104.3**	**100%**	$ 91.3	100%	**$ 271.8**	**100%**	$ 241.7	100%

Hygiene, Health and Consumable Adhesives

($ in millions)	Three Months Ended			Nine Months Ended		
	August 31, 2024	**September 2, 2023**	**2024 vs 2023**	**August 31, 2024**	**September 2, 2023**	**2024 vs 2023**
Net revenue	$ 389.9	$ 402.4	(3.1)%	$ 1,150.7	$ 1,190.4	(3.3)%
Segment operating income	$ 49.8	$ 52.7	(5.5)%	$ 147.2	$ 149.5	(1.5)%
Segment operating margin	12.8%	13.1%		12.8%	12.6%	

The following table provides details of the Hygiene, Health and Consumable Adhesives net revenue variances:

	Three Months Ended August 31, 2024 vs. September 2, 2023	Nine Months Ended August 31, 2024 vs. September 2, 2023
Organic growth	(0.5)%	(4.8)%
M&A	0.0%	3.2%
Currency	(2.6)%	(1.7)%
Total	(3.1)%	(3.3)%

Net revenue decreased 3.1 percent in the third quarter of 2024 compared to the third quarter of 2023. The decrease in organic growth was attributable to a decrease in product pricing, partially offset by an increase in sales volume. The negative currency effect was due to a weaker primarily driven by a weaker Egyptian pound, Turkish lira and Brazilian real compared to the U.S. dollar. As a percentage of net revenue, raw material costs decreased 20 basis points due to lower raw material costs. Other manufacturing costs as a percentage of net revenue increased 70 basis points due to lower product pricing, partially offset by an increase in sales volume. SG&A expenses as a percentage of net revenue decreased 20 basis points due to lower SG&A expense, partially offset by lower net revenue. Segment operating income decreased 5.5 percent and segment operating margin as a percentage of net revenue decreased 30 basis points compared to the third quarter of 2023.

Net revenue decreased 3.3 percent in the first nine months of 2024 compared to the first nine months of 2023. The decrease in organic growth was attributable to a decrease in product pricing, partially offset by a slight increase in sales volume. The 3.2 percent increase in net revenue from M&A was due to the acquisitions of Beardow Adams in the second quart er of 2023 and Adhezion in the third quarter of 2023. The negative currency effect was due to a weaker Turkish lira, Chinese renminbi and Egyptian pound offset by a stronger Mexican peso and Colombian peso compared to the U.S. dollar. As a percentage of net revenue, raw material costs decreased 270 basis points due to lower raw material costs. Other manufacturing costs as a percentage of net revenue increased 100 basis points due to lower product pricing. SG&A expenses as a percentage of net revenue increased 150 basis points due to the impact of acquisitions, lower net revenue and higher compensation costs. Segment operating income decreased 1.5 percent and segment operating margin as a percentage of net revenue increased 20 basis points compared to the first nine months of2023 .

Engineering Adhesives

($ in millions)	Three Months Ended August 31, 2024	Three Months Ended September 2, 2023	2024 vs 2023	Nine Months Ended August 31, 2024	Nine Months Ended September 2, 2023	2024 vs 2023
Net revenue	$ 374.9	$ 365.8	2.5%	$ 1,077.2	$ 1,063.0	1.3%
Segment operating income	$ 52.9	$ 52.9	(0.0)%	$ 139.5	$ 129.8	7.5%
Segment operating margin	14.1%	14.5%		13.0%	12.2%	

The following tables provide details of the Engineering Adhesives net revenue variances:

	Three Months Ended August 31, 2024 vs. September 2, 2023	Nine Months Ended August 31, 2024 vs. September 2, 2023
Organic growth	(2.0)%	(0.7)%
M&A	5.3%	3.2%
Currency	(0.8)%	(1.2)%
Total	2.5%	1.3%

Net revenue increased 2.5 percent in the third quarter of 2024 compared to the third quarter of 2023. The decrease in organic growth was attributable to a decrease in product pricing and sales volume. The 5.3 percent increase in net revenue from M&A was due to the acquisition of ND Industries in the second quarter of 2024. The negative currency effect was due to a weaker Brazilian real and Turkish lira compared to the U.S. dollar. As a percentage of net revenue, raw material costs decreased 350 basis points due to lower raw material costs. Other manufacturing costs as a percentage of net revenue increased 230 basis points. SG&A expenses as a percentage of net revenue increased 160 basis points primarily due to the acquisition of ND Industries and higher compensation costs. Segment operating income was flat and segment operating margin decreased 40 basis points compared to the third quarter of 2023.

Net revenue increased 1.3 percent in the first nine months of 2024 compared to the first nine months of 2023. The decrease in organic growth was attributable to a decrease in product pricing, partially offset by an increase in sales volume. The 3.2 percent increase in net revenue from M&A was due to the acquisition of ND Industries in the second quarter of 2024. The negative currency effect was due to a weaker Chinese renminbi and Turkish lira compared to the U.S. dollar. As a percentage of net revenue, raw material costs decreased 340 basis points due to lower raw material costs. Other manufacturing costs as a percentage of net revenue increased 130 basis points due to the impact of lower product pricing, partially offset by increased sales volume. SG&A expenses as a percentage of net revenue increased by 130 basis points primarily due to the acquisition of ND Industries and higher compensation costs. Segment operating income increased 7.5 percent and segment operating margin increased 80 basis points compared to the first nine months of 2023.

Construction Adhesives

($ in millions)	Three Months Ended August 31, 2024	Three Months Ended September 2, 2023	2024 vs 2023	Nine Months Ended August 31, 2024	Nine Months Ended September 2, 2023	2024 vs 2023
Net revenue	$ 153.1	$ 132.4	15.7%	$ 417.6	$ 354.7	17.7%
Segment operating income	$ 12.5	$ 5.9	111.9%	$ 20.3	$ 2.2	822.7%
Segment operating margin	8.2%	4.5%		4.9%	0.6%	

The following tables provide details of the Construction Adhesives net revenue variances:

	Three Months Ended August 31, 2024 vs. September 2, 2023	Nine Months Ended August 31, 2024 vs. September 2, 2023
Organic growth	10.2%	9.0%
M&A	5.6%	8.7%
Currency	(0.1)%	0.0%
Total	15.7%	17.7%

Net revenue increased 15.7 percent in the third quarter of 2024 compared to the third quarter of 2023. The increase in organic growth was attributable to an increase in sales volume, partially offset by decrease in product pricing. The 5.6 percent increase in net revenue from M&A was due to the acquisitions of XChem in the third quarter of 2023, Sanglier in the fourth quarter of 2023 and HS Butyl in the third quarter of 2024. As a percentage of net revenue, raw material costs decreased 30 basis points due to lower raw material costs. O ther manufacturing costs as a percentage of net revenue decreased 90 basis points due to higher sales volume, partially offset by lower product pricing. SG&A expenses as a percentage of net revenue decreased 250 basis points due to increased net revenue and the impact of acquisitions. Segment operating income increased 111.9 percent and segment operating margin increased 370 basis points compared to the third quarter of 2023.

Net revenue increased 17.7 percent in the first nine months of 2024 compared to the first nine months of 2023. The increase in organic growth was attributable to an increase in sales volume, partially offset by a decrease in product pricing. The 8.7 percent increase in net revenue from M&A was due to the acquisitions of XChem in the third quarter of 2023, Sanglier in the fourth quarter of 2023 and HS Butyl in the third quarter of 2024. As a percentage of net revenue, raw material costs decreased 130 basis points due to lower raw material costs. Other manufacturing costs as a percentage of net revenue decreased 90 basis points due to higher sales volume, partially offset by lower product pricing. SG&A expenses as a percentage of net revenue decreased by 210 basis points due increased net revenue and the impact of acquisitions, partially offset by higher compensation costs. Segment operating income increased 822.7 percent and segment operating margin increased 430 basis points compared to the first nine months of2023 .

Corporate Unallocated

	Three Months Ended			Nine Months Ended		
($ in millions)	August 31, 2024	September 2, 2023	2024 vs 2023	August 31, 2024	September 2, 2023	2024 vs 2023
Net revenue	$ -	$ -	0.0%	$ -	$ -	0.0%
Segment operating loss	$ (10.9)	$ (20.2)	(46.0)%	$ (35.2)	$ (39.8)	(11.6)%
Segment operating margin	NMP	NMP		NMP	NMP	

NMP = Non-meaningful percentage

Corporate Unallocated includes acquisition and integration-related charges, restructuring-related charges, and costs related to the implementation of Project ONE.

Segment operating loss in the third quarter of 2024 decreased 46.0 percent compared to the third quarter of 2023 due to a gain on insurance claims and lower acquisition project costs.

Segment operating loss in the first nine months of 2024 decreased 11.6 percent compared to the first nine months of 2023 due to a gain on insurance claims and lower acquisition project costs.

Financial Condition, Liquidity and Capital Resources

Total cash and cash equivalents as of August 31, 2024 were $131.4 million compared to $179.5 million as of December 2, 2023 and $94.9 million as of September 2, 2023. The majority of the $131.4 million in cash and cash equivalents as of August 31, 2024 was held outside the United States. Total long and short-term debt was $2,021.1 million as of August 31, 2024, $1,838.4 million as of December 2, 2023 and $1,885.0 million as of September 2, 2023. The total debt to total capital ratio as measured by total debt divided by total debt plus total stockholders' equity was 52.3 percent as of August 31, 2024 as compared to 51.1 percent as of December 2, 2023 and 52.2 percent as of September 2, 2023.

We believe that cash flows from operating activities will be adequate to meet our short-term and long-term liquidity and capital expenditure needs. In addition, we believe we have the ability to obtain both short-term and long-term debt to meet our financing needs for the foreseeable future. Cash available in the United States has historically been sufficient and we expect it will continue to be sufficient to fund U.S. operations, U.S. capital spending and U.S. pension and other postretirement benefit contributions in addition to funding U.S. acquisitions, dividend payments, debt service and share repurchases as needed. For those international earnings considered to be reinvested indefinitely, we currently have no intention to, and plans do not indicate a need to, repatriate these funds for U.S. operations.

Our credit agreements include restrictive covenants that, if not met, could lead to a renegotiation of our credit lines and a significant increase in our cost of financing. As of August 31, 2024, we were in compliance with all covenants of our contractual obligations as shown in the following table:

Covenant	Debt Instrument	Measurement	Result as of August 31, 2024
Secured Total Indebtedness / TTM [1] EBITDA	Revolving Facility and Term Loan A Facility	Not greater than 4.50[2]	2.2
TTM[1] EBITDA / Consolidated Interest Expense	Revolving Facility and Term Loan A Facility	Not less than 2.0	5.1

[1] TTM = Trailing 12 months

[2] The Maximum Secured Leverage Ratio prior to June 1, 2024, was 4.75 to 1.00 and stepped down to 4.50 to 1.0 with respect to quarters ending after June 1, 2024

EBITDA for covenant purposes is defined as consolidated net income, plus (i) interest expense, (ii) expense for taxes paid or accrued, (iii) depreciation and amortization, (iv) certain non-cash impairment losses, (v) extraordinary non-cash losses incurred other than in the ordinary course of business, (vi) nonrecurring extraordinary non-cash restructuring charges and the non-cash impact of purchase accounting, (vii) any non-cash charge for the excess of rent expense over actual cash rent paid due to the use of straight-line rent, non-cash charge pursuant to any management equity plan, stock option plan or any other management or employee benefit, (viii) any non-cash finance charges in respect of any pension liabilities or other provisions and income (loss) attributable to deferred compensation plans, (ix) any non-recurring or unusual cash restructuring charges and operating improvements, (x) cost savings initiative and cost synergies related to acquisitions within 12 months, (xi) non-capitalized charges relating to the Company's SAP implementation, (xii) fees, costs, expenses and charges incurred in connection with the financing, (xiii) fees, costs, expenses, make-whole or penalty payments and other similar items arising out of acquisitions, investments and dispositions, the incurrence, issuance, repayment or refinancing of indebtedness and any issuance of equity interests; minus, non-recurring or unusual non-cash gains incurred not in the ordinary course of business. Provided that the aggregate amounts that may be added back for any period pursuant to clauses (ix), (x) and (xi) shall not exceed 15% of EBITDA for such period (calculated prior to giving effect to all addbacks and adjustments). For Secured Total Indebtedness / TTM EBITDA ratio, TTM EBITDA is adjusted for the pro forma results from Material Acquisitions and Material Divestitures, both as defined in the Second Amended and Restated Credit Agreement, as if the acquisition or divestiture occurred at the beginning of the calculation period. The full definition is set forth in the Second Amended and Restated Credit Agreement filed as an exhibit to the Company's 8-K filing dated February 21, 2023.

Consolidated Interest Expense for covenant purposes is defined as the interest expense (including without limitation to the portion of capital lease obligations that constitutes imputed interest in accordance with GAAP) of the Company and its subsidiaries calculated on a consolidated basis for such period with respect to all outstanding indebtedness allocable to such period in accordance with GAAP, including net costs (or benefits) under Interest Rate Swap Agreements and commissions, discounts and other fees and charges with respect to letters of credit and the interest component of all Attributable Receivables Indebtedness.

We believe we have the ability to meet all of our contractual obligations and commitments in fiscal 2024.

Selected Metrics of Liquidity

Key metrics we monitor are net working capital as a percent of annualized net revenue, trade receivable days sales outstanding (“DSO”), inventory days on hand, trade accounts payable outstanding ("DPO") free cash flow after dividends and debt capitalization ratio.

	August 31, 2024	September 2, 2023
Net working capital as a percentage of annualized net revenue [1]	16.1%	18.1%
Accounts receivable DSO (in days)[2]	57	58
Inventory days on hand (in days)[3]	75	70
Trade accounts payable DPO (in days)[4]	70	56
Free cash flow[5]	$ 104.0	$ 107.2
Total debt to total capital ratio [6]	53.0%	52.2%

1 Current quarter net working capital (trade receivables, net of allowance for doubtful accounts plus inventory minus trade payables) divided by annualized net revenue (current quarter multiplied by four).
2 Trade receivables net of the allowance for doubtful accounts at the balance sheet date multiplied by 91 (13 weeks) and divided by the net revenue for the quarter.
3 Total inventory multiplied by 91 (13 weeks) and divided by cost of sales (excluding delivery costs) for the quarter.
4 Trade accounts payable multiplied by 91 (13 weeks) and divided by the net revenue for the quarter.
5 Year-to-date net cash provided by operating activities, less purchased property, plant and equipment. See reconciliation of net cash provided by operating activities to free (negative) cash flow.
6 Total debt divided by (total debt plus total stockholders’ equity).

Free cash flow, a non-GAAP financial measure, is defined as net cash provided by operating activities less purchased property, plant and equipment. Free cash flow is an integral financial measure used by the Company to assess its ability to generate cash in excess of its operating needs, therefore, the Company believes this financial measure provides useful information to investors. The following table reflects the manner in which free cash flow is determined and provides a reconciliation of free cash flow to net cash provided by operating activities, the most directly comparable financial measure calculated and reported in accordance with U.S. GAAP.

Reconciliation of "Net cash provided by operating activities" to free cash flow

	Nine Months Ended	
($ in millions)	**August 31, 2024**	**September 2, 2023**
Net cash provided by operating activities	$ **216.8**	$ 216.7
Less: Purchased property, plant and equipment	112.8	109.5
Free cash flow	$ 104.0	$ 107.2

Summary of Cash Flows

Cash Flows from Operating Activities:

($ in millions)	Nine Months Ended August 31, 2024	Nine Months Ended September 2, 2023
Net cash provided by operating activities	$ 216.8	$ 216.7

Net income including non-controlling interest was $137.6 million in the first nine months of 2024 compared to $100.0 million in the first nine months of 2023. Depreciation and amortization expense totaled $128.7 million in the first nine months of 2024 compared to $119.2 million in the first nine months of 2023. Deferred income taxes was a use of cash of $46.0 million in the first nine months of 2024 compared to $30.1 million in the first nine months of 2023. Accrued compensation was a use of cash of $11.6 million in 2024 compared to $33.8 million in 2023. Other assets was a use of cash of $39.0 million in the first nine months of 2024 compared to $30.9 million in the first nine months of 2023. Other liabilities was a source of cash of $0.9 million in the first nine months of 2024 compared to $12.4 million in the first nine months of 2023.

Changes in net working capital (trade receivables, inventory and trade payables) accounted for a source of cash of $13.9 million compared to a source of cash of $43.3 million last year. The table below provides the cash flow impact due to changes in the components of net working capital and an assessment of each of the components:

($ in millions)	Nine Months Ended August 31, 2024	Nine Months Ended September 2, 2023
Trade receivables, net	$ 26.4	$ 79.5
Inventory	(62.2)	38.2
Trade payables	49.7	(74.4)
Total cash flow impact	$ 13.9	$ 43.3

- Trade receivables, net – Trade receivables, net was a source of cash of $26.4 million and $79.5 million in the first nine months of 2024 and 2023, respectively. The lower source of cash in 2024 compared to 2023 was due to less cash collected on trade receivables in the current year compared to the prior year. The DSO were 57 days at August 31, 2024 and 58 days at September 2, 2023.

- Inventory – Inventory was a use of cash of $62.2 million and a source of cash of $38.2 million in the first nine months of 2024 and 2023, respectively. The use of cash in 2024 compared to source of cash in 2023 was due to higher inventory purchases in 2024 compared to 2023. Inventory days on hand were 75 days as of August 31, 2024 and 70 days as of September 2, 2023.

- Trade payables – Trade payables was a source of cash of $49.7 million and a use of cash of $74.4 million in the first nine months of 2024 and 2023, respectively. The source of cash in 2024 compared to use of cash in 2023 reflects lower payments on trade payables in the current year compared to the prior year. Days payable outstanding were 70 days as of August 31, 2024 and 56 days as of September 2, 2023.

Cash Flows from Investing Activities:

	Nine Months Ended	
($ in millions)	August 31, 2024	September 2, 2023
Net cash used in investing activities	$ **(385.8)**	$ (299.5)

Purchases of property, plant and equipment were $112.8 million during the first nine months of 2024 compared to $109.5 million for the same period of 2023. This difference reflects the timing of capital projects and expenditures related to growth initiatives.

During the first nine months of 2024, we paid $274.1 million of cash, net of cash acquired for purchased businesses. During the first nine months of 2023, we paid $194.2 million, net of cash acquired for purchased businesses.

Cash Flows from Financing Activities:

	Nine Months Ended	
($ in millions)	August 31, 2024	September 2, 2023
Net cash (used in) provided by financing activities	$ 131.6	$ 96.3

In the first nine months of 2024, borrowings on our revolving credit facility were $1,732.9 million and repayments on our revolving credit facility and our long-term debt totaled $1,556.1 million. These borrowings are for general working capital purposes and permitted acquisitions. Borrowings on our long-term debt were $1,333.0 and payments on our revolving credit facility were $1,184.9 million in the first nine months of 2023. Payment of debt issue costs were $3.5 million in the first nine months of 2024 and $10.2 million in the first nine months of 2023. Net payments of notes payable were a use of cash of $1.0 million in the first nine months of 2024 compared to $18.0 million in the same period of 2023. Cash dividends paid were $35.4 million in the first nine months of 2024 compared to $32.3 million in the same period of 2023. Repurchases of common stock were $39.4 million in the first nine months of 2024 compared to $2.6 million in the same period of 2023.

Forward-Looking Statements and Risk Factors

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of words like "plan," "expect," "aim," "believe," "project," "anticipate," "intend," "estimate," "will," "should," "could" (including the negative or variations thereof) and other expressions that indicate future events and trends. These plans and expectations are based upon certain underlying assumptions, including those mentioned with the specific statements. Such assumptions are in turn based upon internal estimates and analyses of current market conditions and trends, our plans and strategies, economic conditions and other factors. These plans and expectations and the assumptions underlying them are necessarily subject to risks and uncertainties inherent in projecting future conditions and results. Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions and expectations proves to be inaccurate or is unrealized. In addition to the factors described in this report, Item 1A. Risk Factors identifies some of the important factors that could cause our actual results to differ materially from those in any such forward-looking statements. In order to comply with the terms of the safe harbor, we have identified these important factors which could affect our financial performance and could cause our actual results for future periods to differ materially from the anticipated results or other expectations expressed in the forward-looking statements. These factors should be considered, together with any similar risk factors or other cautionary language that may be made elsewhere in this Quarterly Report on Form 10-Q.

The list of important factors in Item 1A. Risk Factors does not necessarily present the risk factors in order of importance. This disclosure, including that under Forward-Looking Statements and Risk Factors, and other forward-looking statements and related disclosures made by us in this report and elsewhere from time to time, represents our best judgment as of the date the information is given. We do not undertake responsibility for updating any of such information, whether as a result of new information, future events, or otherwise, except as required by law. Investors are advised, however, to consult any further public company disclosures (such as in filings with the SEC or in our press releases) on related subjects.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including changes in interest rates, foreign currency rates and prices of raw materials. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates. See Part II, Item 7A in our Annual Report on Form 10-K for the year ended December 2, 2023 for further discussion of these market risks. There have been no material changes in the reported market risk of the Company since December 2, 2023.

Item 4. Controls and Procedures

Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of our president and chief executive officer and executive vice president, chief financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act)) as of August 31, 2024. Based on this evaluation, our president and chief executive officer and executive vice president, chief financial officer concluded that, as of August 31, 2024, our disclosure controls and procedures were effective.

For purposes of Rule 13a-15(e), the term *disclosure controls and procedures* means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its president and chief executive officer and executive vice president, chief financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Environmental Matters

We are involved in environmental investigations, clean-up activities and administrative proceedings related to environmental compliance matters at former and current operating facilities. We have also been identified as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and/or similar state laws that impose liability for costs relating to the clean up of contamination resulting from past spills, disposal or other release of hazardous substances associated with landfills and/or hazardous waste sites. As a PRP, we may be required to pay a share of the costs of investigation and clean-up of these sites. We are subject to similar laws in some of the countries where current and former facilities are located. Our environmental, health and safety department monitors compliance with applicable laws on a global basis.

To the extent we can reasonably estimate the amount of our probable liabilities for environmental matters, we establish a financial provision.

While uncertainties exist with respect to the amounts and timing of the ultimate environmental liabilities, based on currently available information, we have concluded that these matters, individually or in the aggregate, will not have a material adverse effect on our results of operations, financial condition or cash flow.

Other Legal Proceedings

From time to time and in the ordinary course of business, we are a party to, or a target of, lawsuits, claims, investigations and proceedings, including product liability, personal injury, contract, patent and intellectual property, environmental, health and safety, tax and employment matters. While we are unable to predict the outcome of these matters, we have concluded, based upon currently available information, that the ultimate resolution of any pending matter, individually or in the aggregate, including asbestos-related litigation, will not have a material adverse effect on our results of operations, financial condition or cash flow. However, adverse developments and/or periodic settlements could negatively impact the results of operations or cash flows in one or more future periods.

For additional information regarding environmental matters and other legal proceedings, see Note 13 to our Consolidated Financial Statements.

Item 1A. Risk Factors

This Form 10-Q contains forward-looking statements concerning our future programs, products, expenses, revenue, liquidity and cash needs as well as our plans and strategies. These forward-looking statements are based on current expectations and we assume no obligation to update this information. Numerous factors could cause actual results to differ significantly from the results described in these forward-looking statements, including the risk factors identified under Part I, Item 1A. Risk Factors contained in our Annual Report on Form 10-K for the fiscal year ended December 2, 2023. There have been no material changes in the risk factors disclosed by us under Part I, Item 1A. Risk Factors contained in the Annual Report on Form 10-K for the fiscal year ended December 2, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Information on our purchase of equity securities during the quarter ended August 31, 2024 is as follows:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Number of Shares Purchased as Part of Publicly Announced Plan or Program	(d) Maximum Approximate Dollar Value of Shares that may yet be Purchased Under the Plan or Program (millions)
June 2, 2024 - July 6, 2024	100,139	$ 76.87	100,000	$ 278
July 7, 2024 - August 3, 2024	25,000	$ 77.71	25,000	$ 276
August 4, 2024 - August 31, 2024	100,000	$ 79.19	100,000	$ 268

On April 7, 2022, the Board of Directors authorized a new share repurchase program of up to $300.0 million of our outstanding common shares for a period of up to five years. Under the program, we are authorized to repurchase shares for cash on the open market, from time to time, in privately negotiated transactions or block transactions, or through an accelerated repurchase agreement. The timing of such repurchases is dependent on price, market conditions and applicable regulatory requirements.

Item 5. Other Information

Rule 10b5-1 Plan Adoptions and Modifications

None.

Item 6. Exhibits

31.1	Form of 302 Certification – Celeste B. Mastin
31.2	Form of 302 Certification – John J. Corkrean
32.1	Form of 906 Certification – Celeste B. Mastin
32.2	Form of 906 Certification – John J. Corkrean
101	The following materials from the H.B. Fuller Company Quarterly Report on Form 10-Q for the quarter ended August 31, 2024 formatted in Inline Extensible Business Reporting Language (Inline XBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Total Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

H.B. Fuller Company

Dated: September 26, 2024

/s/ John J. Corkrean
John J. Corkrean
Executive Vice President,
Chief Financial Officer

Exhibit Index

Exhibits

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104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

Exhibit 31.1

CERTIFICATION

I, Celeste B. Mastin, certify that:

1. I have reviewed this report on Form 10-Q of H.B. Fuller Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-115(e) and 15d-115(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d–15(f)) for the registrant and have:

   a.) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b.) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c.) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d.) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a.) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 26, 2024

/s/ Celeste B. Mastin
Celeste B. Mastin
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, John J. Corkrean, certify that:

1. I have reviewed this report on Form 10-Q of H.B. Fuller Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-115(e) and 15d-115(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d–15(f)) for the registrant and have:

    a.) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b.) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c.) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d.) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a.) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 26, 2024

/s/ John J. Corkrean
John J. Corkrean
Executive Vice President, Chief Financial Officer

Exhibit 32.1

CERTIFICATION

I, Celeste B. Mastin, in connection with the Quarterly Report of H.B. Fuller Company on Form 10-Q for the quarter ended August 31, 2024 (the "Report"), hereby certify that:

(a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)), and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of H.B. Fuller Company.

Date: September 26, 2024

/s/ Celeste B. Mastin
Celeste B. Mastin
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION

I, John J. Corkrean, in connection with the Quarterly Report of H.B. Fuller Company on Form 10-Q for the quarter ended August 31, 2024 (the “Report”), hereby certify that:

(a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)), and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of H.B. Fuller Company.

Date: September 26, 2024

/s/ John J. Corkrean
John J. Corkrean
Executive Vice President, Chief Financial Officer