



# H.B. Fuller

## First Quarter 2024 Conference Call

March 28, 2024



# Disclosure

## Safe Harbor Statement

Certain matters discussed today may be considered forward-looking statements within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements reflect our current expectations, and actual results may differ as they are subject to the kinds of risks that are enumerated in the Company's Securities and Exchange Commission (SEC) filings. The Company disclaims any obligation to subsequently revise any forward-looking statements to reflect actual events or circumstances after the date of such statements.

## Regulation G

The information presented in this presentation regarding consolidated and segment organic revenue growth, operating income, adjusted gross profit, adjusted gross profit margin, adjusted selling, general and administrative expense, adjusted income before income taxes and income from equity investments, adjusted income taxes, adjusted effective tax rate, adjusted net income, adjusted diluted earnings per share, adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted EBITDA margin, net debt, net debt-to-adjusted EBITDA, trailing twelve months adjusted EBITDA, net working capital, annualized net revenue and net working capital as a percentage of annualized net revenue does not conform to U.S. generally accepted accounting principles (U.S. GAAP) and should not be construed as an alternative to the reported results determined in accordance with U.S. GAAP. Management has included this non-GAAP information to assist in understanding the operating performance of the company and its operating segments as well as the comparability of results to the results of other companies. The non-GAAP information provided may not be consistent with the methodologies used by other companies. All non-GAAP information is reconciled with reported U.S. GAAP results in the "Regulation G Reconciliation" tables except for our forward-looking non-U.S. GAAP measures contained in our financial guidance, which the company cannot reconcile to forward-looking U.S. GAAP results without unreasonable effort.

## Additional Information

Please refer to our annual report on Form 10-K, filed with the SEC, and available on our website at [www.investors.hbfuller.com](http://www.investors.hbfuller.com).

# First Quarter Highlights

**Adjusted EBITDA \$123M**  
**Up 12% YOY**

**Adjusted EBITDA Margin 15.2%**  
**Up 160 bps YOY**

**Adjusted EPS \$0.67**  
**Up 22% YOY**



First quarter results largely consistent with our expectations



Continue to proactively respond to changing business dynamics to drive strong adjusted EBITDA growth, margin expansion, and robust cash flow



Organic revenue declined due to anticipated pricing adjustments and slightly lower volume



Adjusted EBITDA +12% YOY; Adjusted EBITDA Margin +160bps YOY; Adjusted EPS +22% YOY

# Global Business Unit Update

## Health, Hygiene, and Consumable Adhesives



- Organic revenue down 9% YOY
- Hygiene drove decline in HHC volume, HHC volume growth excluding Hygiene was flat
- Adjusted EBITDA margin improvement driven by responsible net pricing and raw material cost actions
- **Adjusted EBITDA margin expanded 130 basis points YOY to 16.9%**

## Engineering Adhesives



- Organic revenue down 2% YOY
- Diversification of portfolio resulted in consistent volume despite challenging global environment
- **Adjusted EBITDA margin increased 90 basis points YOY to 15.9%**
- Favorable net pricing and raw material cost actions and restructuring drove adjusted EBITDA margin increase

## Construction Adhesives



- **Organic revenue up 10% YOY**
- Absence of customer destocking and expectation of return to normal construction season in North America benefitted CA
- **Adjusted EBITDA margin increased 530 basis points YOY to 8.4%**
- Net price and raw material cost management, improved volumes, and restructuring savings drove improvement in EBITDA margin

# Regional Perspective

## AMERICAS

- Organic revenue declined 2% YOY
- Driven by lower HHC organic revenue and adversely impacted by a spillover of 2023 destocking activity
- EA and CA combined achieved organic revenue growth of more than 4 percent YOY in the Americas region

## EIMEA

- Organic revenue declined 13% YOY
- Economic conditions deteriorated in Europe and negatively impacted each GBU
- EIMEA volume adversely impacted by currency restrictions and political uncertainties in Egypt and broader Middle East

## ASIA PACIFIC

- Organic revenue increased 2% YOY
- China achieved a mid-single-digit increase in organic revenue, and more than offset weaker demand in rest of the region
- Continue to be optimistic about our business in China

# Q1 Financial Summary

## Continued Margin Expansion and Adjusted EBITDA Growth

- Net revenue was up 0.2% YOY
- Organic revenue was down 4.2% YOY, primarily due to pricing
- Adjusted gross profit margin was 30.1%, up 320 basis points YOY, reflecting net price and raw material cost actions and restructuring
- Adjusted SG&A up YOY, as expected, due to acquisitions, wage inflation, and variable compensation rebuild
- Adjusted EBITDA was up 12% YOY to \$123 Million
- Adjusted EPS of \$0.67 was up 22% driven by strong operating income growth
- Operating cash flow in the quarter improved \$42 million YOY
- Reduced net debt-to-Adjusted EBITDA ratio from 2.9x in Q4 to 2.8x

# FY 2024 Financial Guidance Update

## Revenue

- Expect net revenue to be up 2% to 6% YOY and organic revenue to be in the range of flat to up 3%

## Adjusted EBITDA

- Expect Adjusted EBITDA to be in the range of \$610M to \$640M, increasing 5% to 10% YOY

## Adjusted EPS

- Expect Adjusted EPS to be in the range of \$4.15 to \$4.45, equating to growth of 7% to 15% YOY

## Operating Cash Flow

- Expect operating cash flow to be in the range of \$300M to \$350M, weighted to 2H of the year

## Q2 Guidance

- Expect Q2 Adjusted EBITDA to be in the range of \$145M to \$155M

# H.B. Fuller Customer Innovation Awards

“As the market leader in innovation, we have the privilege of collaborating with some of the most exciting and forward-thinking companies in the marketplace”  
– Celeste Mastin, President and CEO





## Summary

**Confident in our ability to achieve long-term growth and profitability goals**

- Off to a good start to the year
- Team is executing well in challenging environment, demonstrating discipline and drive
- On track for another year of strong profit growth, continued margin expansion, and improved volume trends in fiscal 2024
- Continue to strengthen the portfolio through targeted organic investments and new highly synergistic strategic acquisitions

# Q&A Session

# Regulation G Reconciliations

**H.B. FULLER COMPANY AND SUBSIDIARIES**  
**REGULATION G RECONCILIATION**  
 In thousands, except per share amounts (unaudited)

	Three Months Ended	
	March 2, 2024	March 4, 2023
Net income attributable to H.B. Fuller	\$ 30,991	\$ 21,889
Adjustments:		
Acquisition project costs <sup>1</sup>	2,043	2,235
Organizational realignment <sup>2</sup>	7,262	2,944
Project One	3,213	2,172
Other <sup>3</sup>	-	3,073
Discrete tax items <sup>4</sup>	(2,527)	846
Income tax effect on adjustments <sup>5</sup>	(3,290)	(2,400)
Adjusted net income attributable to H.B. Fuller <sup>6</sup>	37,692	30,759
Add:		
Interest expense	31,901	30,380
Interest income	(1,307)	(667)
Adjusted Income taxes	13,631	11,286
Depreciation and Amortization expense <sup>7</sup>	41,101	37,914
Adjusted EBITDA <sup>6</sup>	123,018	109,672
Diluted Shares	56,573	55,919
Adjusted diluted income per common share attributable to H.B. Fuller <sup>6</sup>	\$ 0.67	\$ 0.55
Revenue	\$ 810,419	\$ 809,183
Adjusted EBITDA margin <sup>6</sup>	15.2%	13.6%



# Regulation G Reconciliations

## H.B. FULLER COMPANY AND SUBSIDIARIES SEGMENT FINANCIAL INFORMATION

In thousands (unaudited)

	Three Months Ended	
	March 2, 2024	March 4, 2023
<b>Net Revenue:</b>		
Hygiene, Health and Consumable Adhesives	\$ 367,693	\$ 383,528
Engineering Adhesives	328,766	333,067
Construction Adhesives	113,960	92,588
Corporate unallocated	-	-
Total H.B. Fuller	<u>\$ 810,419</u>	<u>\$ 809,183</u>
<b>Segment Operating Income (Loss):</b>		
Hygiene, Health and Consumable Adhesives	\$ 46,877	\$ 45,146
Engineering Adhesives	34,834	32,475
Construction Adhesives	(2,619)	(9,634)
Corporate unallocated	(12,217)	(7,720)
Total H.B. Fuller	<u>\$ 66,875</u>	<u>\$ 60,267</u>
<b>Adjusted EBITDA<sup>6</sup></b>		
Hygiene, Health and Consumable Adhesives	\$ 62,258	\$ 59,719
Engineering Adhesives	52,347	49,876
Construction Adhesives	9,567	2,845
Corporate unallocated	(1,154)	(2,768)
Total H.B. Fuller	<u>\$ 123,018</u>	<u>\$ 109,672</u>
<b>Adjusted EBITDA Margin<sup>6</sup></b>		
Hygiene, Health and Consumable Adhesives	16.9%	15.6%
Engineering Adhesives	15.9%	15.0%
Construction Adhesives	8.4%	3.1%
Corporate unallocated	NMP	NMP
Total H.B. Fuller	<u>15.2%</u>	<u>13.6%</u>
NMP = non-meaningful percentage		





# Regulation G Reconciliations

**H.B. FULLER COMPANY AND SUBSIDIARIES**  
**REGULATION G RECONCILIATION**  
**In thousands (unaudited)**

	<b>Three Months Ended</b>	
	<b>March 2, 2024</b>	<b>March 4, 2023</b>
Net revenue	\$ 810,419	\$ 809,183
Gross profit	\$ 239,237	\$ 214,809
Gross profit margin	29.5%	26.5%
Adjustments:		
Acquisition project costs <sup>1</sup>	81	43
Organizational realignment <sup>2</sup>	4,411	2,321
Other <sup>3</sup>	-	107
Adjusted gross profit <sup>10</sup>	<u>\$ 243,729</u>	<u>\$ 217,280</u>
Adjusted gross profit margin <sup>10</sup>	30.1%	26.9%
	<b>Three Months Ended</b>	
	<b>March 2, 2024</b>	<b>March 4, 2023</b>
Selling, general and administrative expenses	\$ (172,362)	\$ (154,542)
Adjustments:		
Acquisition project costs <sup>1</sup>	1,962	2,191
Organizational realignment <sup>2</sup>	2,551	622
Project ONE	3,213	2,172
Other <sup>3</sup>	-	263
Adjusted selling, general and administrative expenses <sup>11</sup>	<u>\$ (164,636)</u>	<u>\$ (149,294)</u>



# Regulation G Reconciliations

**H.B. FULLER COMPANY AND SUBSIDIARIES**  
**REGULATION G RECONCILIATION**  
**In thousands (unaudited)**

Three Months Ended: March 2, 2024	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Net income attributable to H.B. Fuller	\$ 48,372	\$ 35,886	\$ (1,187)	\$ 83,071	\$ (52,080)	\$ 30,991
Adjustments:						
Acquisition project costs <sup>1</sup>	-	-	-	-	2,043	2,043
Organizational realignment <sup>2</sup>	-	-	-	-	7,262	7,262
Project One	-	-	-	-	3,213	3,213
Discrete tax items <sup>4</sup>	-	-	-	-	(2,527)	(2,527)
Income tax effect on adjustments <sup>5</sup>	-	-	-	-	(3,290)	(3,290)
Adjusted net income attributable to H.B. Fuller <sup>6</sup>	48,372	35,886	(1,187)	83,071	(45,379)	37,692
Add:						
Interest expense	-	-	-	-	31,901	31,901
Interest income	-	-	-	-	(1,307)	(1,307)
Adjusted Income taxes	-	-	-	-	13,631	13,631
Depreciation and amortization expense <sup>7</sup>	13,886	16,461	10,754	41,101	-	41,101
Adjusted EBITDA <sup>6</sup>	\$ 62,258	\$ 52,347	\$ 9,567	\$ 124,172	\$ (1,154)	\$ 123,018
Revenue	\$ 367,693	\$ 328,766	\$ 113,960	\$ 810,419	-	\$ 810,419
Adjusted EBITDA Margin <sup>6</sup>	16.9%	15.9%	8.4%	15.3%	NMP	15.2%

Note: Adjusted EBITDA is a non-GAAP financial measure. The table above provides a reconciliation of adjusted EBITDA for each segment to net income attributable to H.B. Fuller for each segment, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.

NMP = Non-meaningful percentage



# Regulation G Reconciliations

**H.B. FULLER COMPANY AND SUBSIDIARIES**  
**REGULATION G RECONCILIATION**  
**In thousands (unaudited)**

Three Months Ended: March 4, 2023	Hygiene, Health and Consumable Adhesives	Engineering Adhesives	Construction Adhesives	Total	Corporate Unallocated	H.B. Fuller Consolidated
Net income attributable to H.B. Fuller	\$ 47,707	\$ 34,350	\$ (7,531)	\$ 74,526	\$ (52,637)	\$ 21,889
Adjustments:						
Acquisition project costs <sup>1</sup>	-	-	-	-	2,235	2,235
Organizational realignment <sup>2</sup>	-	-	-	-	2,944	2,944
Project One	-	-	-	-	2,172	2,172
Other <sup>3</sup>	-	-	-	-	3,073	3,073
Discrete tax items <sup>4</sup>	-	-	-	-	846	846
Income tax effect on adjustments <sup>5</sup>	-	-	-	-	(2,400)	(2,400)
Adjusted net income attributable to H.B. Fuller <sup>6</sup>	47,707	34,350	(7,531)	74,526	(43,767)	30,759
Add:						
Interest expense	-	-	-	-	30,380	30,380
Interest income	-	-	-	-	(667)	(667)
Adjusted Income taxes	-	-	-	-	11,286	11,286
Depreciation and amortization expense <sup>7</sup>	12,012	15,526	10,376	37,914	-	37,914
Adjusted EBITDA <sup>6</sup>	\$ 59,719	\$ 49,876	\$ 2,845	\$ 112,440	\$ (2,768)	\$ 109,672
Revenue	\$ 383,528	\$ 333,067	\$ 92,588	\$ 809,183	-	\$ 809,183
Adjusted EBITDA Margin <sup>6</sup>	15.6%	15.0%	3.1%	13.9%	NMP	13.6%

Note: Adjusted EBITDA is a non-GAAP financial measure. The table above provides a reconciliation of adjusted EBITDA for each segment to net income attributable to H.B. Fuller for each segment, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.

NMP = Non-meaningful percentage



# Regulation G Reconciliations

**H.B. FULLER COMPANY AND SUBSIDIARIES**  
**SEGMENT FINANCIAL INFORMATION**  
**NET REVENUE GROWTH (DECLINE)**  
**(unaudited)**

<b>Revenue growth versus 2023</b>	<b>Three Months Ended March 2, 2024</b>
Price	(3.3)%
Volume	(0.9)%
Organic Growth <sup>12</sup>	(4.2)%
M&A	5.0%
Constant currency	0.8%
F/X	(0.6)%
Total H.B. Fuller Net Revenue Change	<u>0.2%</u>

<b>Revenue growth versus 2023</b>	<b>Three Months Ended March 2, 2024</b>				
	<b>Net Revenue</b>	<b>F/X</b>	<b>Constant Currency</b>	<b>M&amp;A</b>	<b>Organic Growth<sup>12</sup></b>
Hygiene, Health and Consumable Adhesives	(4.1)%	(0.5)%	(3.6)%	5.8%	(9.4)%
Engineering Adhesives	(1.3)%	(0.9)%	(0.4)%	1.9%	(2.3)%
Construction Adhesives	23.1%	0.1%	23.0%	12.7%	10.3%
Total H.B. Fuller	<u>0.2%</u>	<u>(0.6)%</u>	<u>0.8%</u>	<u>5.0%</u>	<u>(4.2)%</u>

# Regulation G Reconciliations

**H.B. FULLER COMPANY AND SUBSIDIARIES**  
**REGULATION G RECONCILIATION**  
**In thousands (unaudited)**

	Three Months Ended				Trailing Twelve	Year Ended
	June 3, 2023	September 2, 2023	December 2, 2023	March 2, 2024	Months <sup>15</sup> Ended	December 2, 2023
					March 2, 2024	
Net income attributable to H.B. Fuller	\$ 40,401	\$ 37,627	\$ 44,991	\$ 30,991	\$ 154,010	\$ 144,906
Adjustments:						
Acquisition project costs <sup>1</sup>	2,919	6,480	4,765	2,043	16,207	16,874
Organizational realignment <sup>2</sup>	5,690	10,421	10,549	7,262	33,922	29,900
Project One	2,681	2,734	2,193	3,213	10,821	9,815
Other	521	503	(3,903)	-	(2,879)	(611)
Discrete tax items <sup>13</sup>	2,042	6,243	16,955	(2,527)	22,713	26,085
Income tax effect on adjustments <sup>5</sup>	(2,172)	(4,875)	(1,158)	(3,290)	(11,495)	(10,604)
Adjusted net income attributable to H.B. Fuller <sup>6</sup>	52,082	59,133	74,392	37,692	223,299	216,365
Add:						
Interest expense	33,131	35,105	33,297	31,901	133,434	131,913
Interest income	(932)	(1,128)	(1,217)	(1,307)	(4,584)	(3,943)
Adjusted Income taxes	19,421	20,862	26,477	13,631	80,391	78,047
Depreciation and Amortization expense <sup>14</sup>	39,063	41,826	39,653	41,101	161,643	158,456
Adjusted EBITDA <sup>6</sup>	<u>\$ 142,765</u>	<u>\$ 155,798</u>	<u>\$ 172,602</u>	<u>\$ 123,018</u>	<u>\$ 594,184</u>	<u>\$ 580,838</u>

# Regulation G Reconciliations

**H.B. FULLER COMPANY AND SUBSIDIARIES**  
**REGULATION G RECONCILIATION**  
**In thousands (unaudited)**

	<u>March 2, 2024</u>	<u>December 2, 2023</u>	<u>March 4, 2023</u>
Total debt	\$ 1,830,797	\$ 1,838,431	\$ 1,873,489
Less: Cash and cash equivalents	165,249	179,453	125,482
Net debt <sup>16</sup>	<u>\$ 1,665,548</u>	<u>\$ 1,658,978</u>	<u>\$ 1,748,007</u>
Trailing twelve months Adjusted EBITDA <sup>15</sup>	\$ 594,183	580,838	
Net Debt-to-Adjusted EBITDA <sup>16</sup>	2.8	2.9	

	<u>March 2, 2024</u>	<u>March 4, 2023</u>	<u>December 2, 2023</u>
Trade receivables, net	\$ 525,689	\$ 566,358	\$ 577,932
Inventory	490,179	526,041	442,040
Trade payables	460,649	450,203	439,700
Net working capital <sup>17</sup>	<u>\$ 555,219</u>	<u>\$ 642,196</u>	<u>\$ 580,272</u>
Net revenue three months ended	\$ 810,419	\$ 809,183	
Annualized net revenue <sup>17</sup>	3,241,676	3,236,732	
Net working capital as a percentage of annualized revenue <sup>17</sup>	17.1%	19.8%	



# Regulation G Reconciliations

<sup>1</sup> Acquisition project costs include costs related to integrating and accounting for acquisitions.

<sup>2</sup> Organizational realignment includes costs incurred as a direct result of the organizational realignment program, including compensation for employees supporting the program, consulting expense and operational inefficiencies related to the closure of production facilities and consolidation of business activities.

<sup>3</sup> Other expenses for the three months ended March 4, 2023 are primarily related to the write-off of unamortized debt fees and non-cash gains and losses related to legal entity consolidations.

<sup>4</sup> Discrete tax items for the three months ended March 2, 2024 are related to various foreign tax matters as well as excess tax benefit related to U.S. stock compensation. Discrete tax items for the three months ended March 4, 2023 are related to various foreign tax matters offset by excess tax benefit related to U.S. stock compensation.

<sup>5</sup> The income tax effect on adjustments represents the difference between income taxes on net income before income taxes and income from equity method investments reported in accordance with U.S. GAAP and adjusted net income before income taxes and income from equity method investments.

<sup>6</sup> Adjusted net income attributable to H.B. Fuller, adjusted diluted income per common share attributable to H.B. Fuller, adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures. Adjusted net income attributable to H.B. Fuller is defined as net income before the specific adjustments shown above. Adjusted diluted income per common share is defined as adjusted net income attributable to H.B. Fuller divided by the number of diluted common shares. Adjusted EBITDA is defined as net income before interest, income taxes, depreciation, amortization and the specific adjustments shown above. Adjusted EBITDA margin is defined as adjusted EBITDA divided by net revenue. The table above provides a reconciliation of adjusted net income attributable to H.B. Fuller, adjusted diluted income per common share attributable to H.B. Fuller, adjusted EBITDA and adjusted EBITDA margin to net income attributable to H.B. Fuller, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.

<sup>7</sup> Depreciation and amortization expense added back for EBITDA is adjusted for amounts already included in adjusted net income attributable to H.B. Fuller totaling (\$2,422) and (\$18) for the three months ended March 2, 2024 and March 4, 2023, respectively.

<sup>8</sup> Adjusted income before income taxes and income from equity investments is a non-GAAP financial measure. Adjusted income before income taxes and income from equity investments is defined as income before income taxes and income from equity investments before the specific adjustments shown above. The table above provides a reconciliation of adjusted income before income taxes and income from equity investments to income before income taxes and income from equity investments, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.

<sup>9</sup> Adjusted income taxes and adjusted effective income tax rate are non-GAAP financial measures. Adjusted income taxes is defined as income taxes before the specific adjustments shown above. Adjusted effective income tax rate is defined as income taxes divided by adjusted income before income taxes and income from equity method investments. The table above provides a reconciliation of adjusted income taxes and adjusted effective income tax rate to income taxes, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.

<sup>10</sup> Adjusted gross profit and adjusted gross profit margin are non-GAAP financial measures. Adjusted gross profit and adjusted gross profit margin is defined as gross profit and gross profit margin excluding the specific adjustments shown above. The table above provides a reconciliation of adjusted gross profit and gross profit margin to gross profit and gross profit margin, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.

# Regulation G Reconciliations

<sup>11</sup> Adjusted selling, general and administrative expenses is a non-GAAP financial measure. Adjusted selling, general and administrative expenses is defined as selling, general and administrative expenses excluding the specific adjustments shown above. The table above provides a reconciliation of adjusted selling, general and administrative expenses to selling, general and administrative expenses, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.

<sup>12</sup> We use the term “organic revenue” to refer to net revenue, excluding the effect of foreign currency changes and acquisitions and divestitures. Organic growth reflects adjustments for the impact of period-over-period changes in foreign currency exchange rates on revenues and the revenues associated with acquisitions and divestitures.

<sup>13</sup> Discrete tax items for the three months ended June 3, 2023 are related to various foreign tax matters offset by an excess benefit related to U.S. stock compensation. Discrete tax items for the three months ended September 2, 2023 are related to various U.S. and foreign tax matters offset by an excess benefit related to U.S. stock compensation. Discrete tax items for the three months ended March 2, 2024 are related to various foreign tax matters as well as excess tax benefit related to U.S. stock compensation. Discrete tax items for the three months and year ended December 2, 2023 are related to the tax impact of withholding tax recorded on earnings that are no longer permanently reinvested, as well as other various U.S. and foreign tax matters.

<sup>14</sup> Depreciation and amortization expense added back for EBITDA is adjusted for amounts already included in adjusted net income attributable to H.B. Fuller. Depreciation and amortization expense added back was \$18 for the three months ended June 3, 2023, (\$348) for the three months ended September 2, 2023, (\$1,036) for the three months ended December 2, 2023, (\$2,422) for the three months ended March 2, 2024 and (\$1,384) for the year ended December 2, 2023.

<sup>15</sup> Trailing twelve months adjusted EBITDA is a non-GAAP financial measure and is defined as adjusted EBITDA for the twelve-month period ended on the date presented. The table above provides a reconciliation of trailing twelve month adjusted EBITDA to net income attributable to H.B. Fuller for the trailing twelve-month period presented, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.

<sup>16</sup> Net debt and net debt-to-adjusted EBITDA are non-GAAP financial measures. Net debt is defined as total debt less cash and cash equivalents. Net debt-to-adjusted EBITDA is defined as net debt divided by trailing twelve months adjusted EBITDA. The calculation of both of these non-GAAP financial measures is shown in the table above. The table above provides a reconciliation of each of these non-GAAP financial measures to total debt, the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.

<sup>17</sup> Net working capital, annualized net revenue and net working capital as a percentage of annualized net revenue are non-GAAP financial measures. Net working capital is defined as trade receivables, net plus inventory less trade payables. Annualized net revenue is defined as net revenue for the quarter multiplied by four. Net working capital as a percentage of annualized net revenue is net working capital divided by annualized net revenue. The calculation of each of these non-GAAP financial measures is shown in the table above. The table above provides a reconciliation of each of these non-GAAP financial measures to the most directly comparable financial measure determined and reported in accordance with U.S. GAAP.