



## Commented Slides

### Conference Call Q3 2021, November 8, 2021

#### Henkel Representatives

Carsten Knobel, CEO

Marco Swoboda, CFO

Investor Relations Team

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#### Carsten Knobel, CEO:

Dear Investors and Analysts,

Good morning from Düsseldorf.

Warm welcome to our conference call on the results for the third quarter of 2021. I am here with our CFO Marco Swoboda.

Thanks for joining us today.

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I will not read this disclaimer – we take it as read into the record of this conference call.

# AGENDA

- 01** Key Developments Q3 2021
- 02** Business Performance Q3 2021
- 03** Outlook & Closing

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Our agenda today will focus on the key developments and our business performance of the third quarter of this year.

I will start with the full picture and hand-over to Marco, who will comment the business performance in more detail, before I will close with the full year outlook and Henkel's priorities for the remainder of this year.

We are looking forward to taking your questions then at the end.

<p><b>▶ HENKEL SUSTAINS GROWTH PATH WITH STRONG Q3</b> KEY DEVELOPMENTS</p>			
<p><b>Organic sales growth of +3.5%</b> with differentiated development of business units</p>			<p><b>Strong two-year OSG CAGR –</b> each business unit organically above pre-COVID level in Q3</p>
<p><b>Full year 2021 guidance updated</b> with top-line growth confirmed, earnings at lower end of prior ranges due to stronger input cost headwinds</p>		<p>WIN THE 20s THROUGH <b>PURPOSEFUL GROWTH</b></p>	<p><b>Purposeful Growth Agenda</b> with further progress and focus on expanding competitive edge and enhancing company culture</p>
<p>Henkel Q3 2021</p>		<p>4 </p>	

Let's first have a look at the key developments.

In the third quarter, Henkel sustained its growth path.

With strong organic sales growth of 3.5 percent on Group level, driven by pricing.

In nominal terms, sales increased by 1.9 percent to a level now of about 5.1 billion euros.

Growth in the third quarter was supported by a very strong performance of Adhesive Technologies, which delivered organic sales growth of 7 percent against a positive prior-year quarter.

Laundry & Home Care achieved good organic sales growth of 2 percent – thanks to a strong performance in Laundry Care and despite a very high comparable of almost 8 percent in Q3 2020.

Beauty Care remained below the prior year quarter at -3 percent. The further recovery of the Professional business could not fully compensate the decline in Consumer. Here, the performance continued to be affected by significant market headwinds in the Body Care segment, particularly in soaps.

Also over the 2-year period, Henkel achieved a strong performance with a compound annual organic growth in the third quarter at the higher end of our mid- to long-term ambition of 2 to 4 percent organic sales growth.

We performed well in a volatile and highly demanding environment. We continued to see headwinds from extremely tight supply markets and significant input cost inflation, which intensified further in the past months.

We are reflecting this in our financial outlook for the full year, which we are updating today:

- Based on our strong sales performance year-to-date, we expect to close the year well within the guidance range of 6 to 8 percent organic sales growth.
- At the same time, due to the stronger input cost headwinds, we are now expecting the earnings KPIs to come in at the lower end of the prior guidance ranges.  
To be more precise, we expect an adjusted EBIT margin of around 13.5 percent and adjusted EPS to increase by a high single-digit percentage at constant currencies.

While managing our performance in a highly challenging environment, we executed important initiatives to drive our **Purposeful Growth Agenda with full speed**. Today, I will focus in particular on the progress we made in the area of competitive edge.



Let's have a closer look at our 2-year growth dynamics.

Compared to the third quarter of 2019, we achieved a strong compound annual growth rate in organic sales of 3.7 percent. Importantly, for the first time, each of our three business units exceeded its respective pre-COVID level in organic terms.

And year-to-date, our organic sales increase of 8.6 percent translates in an annual growth rate of 3.1 percent over the two-year-period.

A compelling performance – thanks to our robust, diversified portfolio with strong brands and technologies.

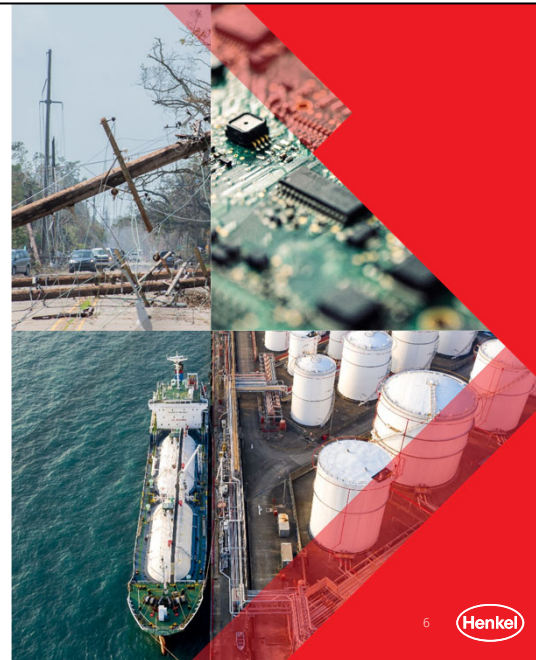
Successful innovations for our customers and consumers, particularly in the field of sustainability, and the expansion of digital.

Facing a persistently challenging business environment, I am particularly proud of the great commitment and strong dedication of every single Henkelaner.

## ▶ BUSINESS ENVIRONMENT

- **Continued economic recovery in Q3 2021** with slowing growth dynamics against a higher comparison base
- **Industrial production overall further improved** with differentiated developments across industries, but held back by supply shortages
- **Consumer demand continues to normalize with varying dynamics** in different categories and partially high volatility
- Intensifying **scarcity and broad-based cost inflation in raw material supply and logistics** in volatile markets

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The economic activity continued to recover in the third quarter but – as expected – growth rates were slowing compared to a very dynamic first half year and against a stronger prior-year baseline.

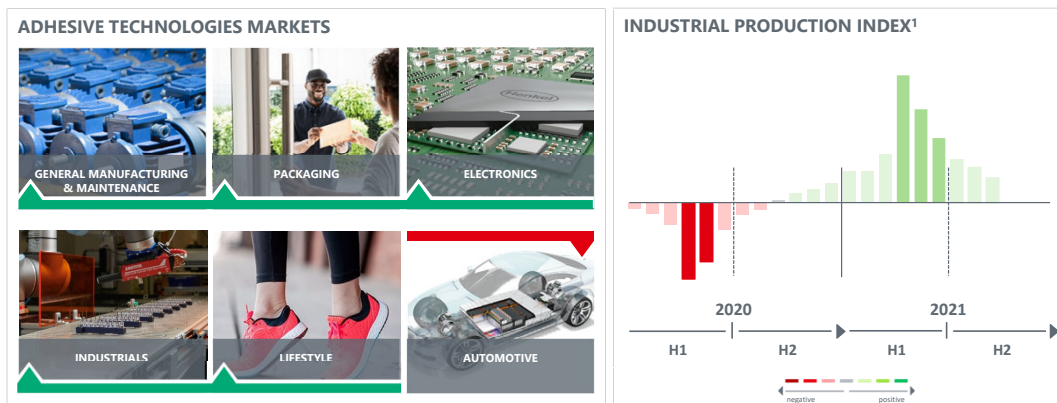
Industrial demand improved further – with a mixed picture across different industries and headwinds from global supply shortages.

Consumer behavior is still impacted by the pandemic. But demand continued to normalize, partially significantly and with varying dynamics across categories.

Finally, the scarcity in raw material supply and logistics with sharp and broad-based cost inflation further intensified in the course of the third quarter.

Let me provide some more detail.

## ▶ CONTINUED RECOVERY OF INDUSTRIAL PRODUCTION DEVELOPMENT OF SELECTED MARKETS Q3 2021



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<sup>1</sup> Illustrative presentation of monthly IPX development (year-over-year)

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Industrial production continued its recovery. But growth was gradually slowing after an exceptionally strong Q2. This was mainly due to the higher prior-year comparable basis and stronger than anticipated headwinds in the Automotive sector.

Accordingly, the Industrial Production Index advanced by about 6 percent year-over-year in the third quarter, after an increase of almost 18 percent in Q2.

From a regional point of view, the growth profile was broad-based. Industrial demand expanded in all regions by a low-single digit to mid-single digit percentage.

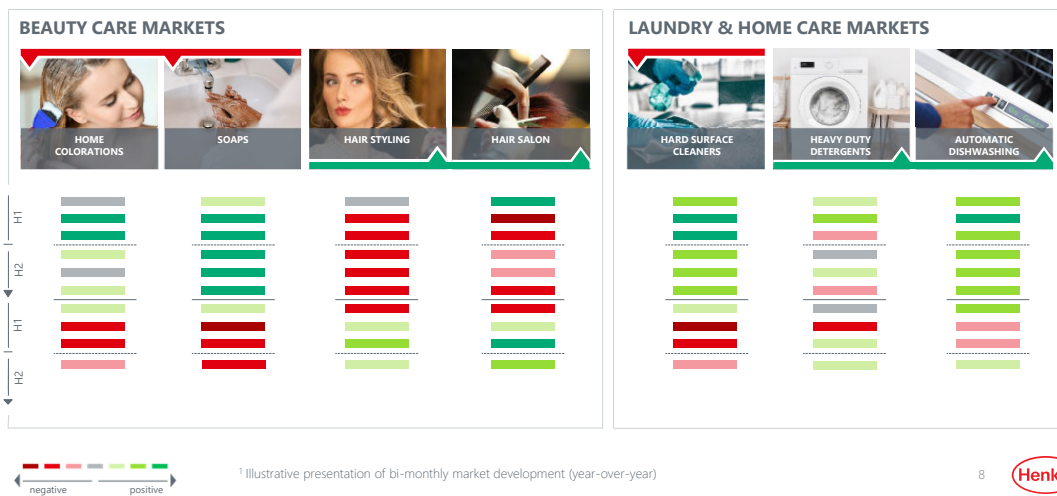
The picture by segments is a bit more differentiated. Most markets relevant for our Adhesive Technologies business recorded a sustained recovery:

General Manufacturing & Maintenance benefitted from a robust demand – after the recovery only gradually picked up throughout the second half last year. This is also true for the Industrials business.

The markets for Packaging, Lifestyle and Electronics continued their growth momentum.

In contrast, the Automotive sector turned significantly negative in Q3. Global production volumes declined by a double-digit percentage, mainly as a result of the ongoing semiconductor shortage.

## ▶ VARYING DYNAMICS IN CONSUMER CATEGORIES DEVELOPMENT OF SELECTED MARKETS Q3 2021<sup>1</sup>



Moving to the consumer categories and here we are seeing varying dynamics.

Pandemic-related restrictions are still in place in most countries, and more recently, infection rates were on the rise again.

With vaccination rates at a high level in many regions and further rising, consumer behavior and demand patterns continued to normalize in the third quarter.

Demand continued to decline against elevated prior-year levels in most categories that had benefitted from a strong focus on hygiene and from stay-home effects during the pandemic.

This includes hard-surface cleaners as well as at-home colorations and in particular soaps, that recorded a double-digit market decline. The category continued to be significantly affected by the strong unwind of peak demand levels, especially in our key markets Western Europe and North America.

On a positive note, the Hair Salon market continued its recovery – despite a less impacted prior year basis with more salons back in operation.

Demand for Hair Styling products sustained its rebound, after it had just turned positive in the course of Q2.

And finally, the Heavy-Duty Detergents and Automatic Dishwashing markets also showed a positive development compared to the prior-year level.



## ▶ SUPPLY CHAIN HEADWINDS INTENSIFYING

### Continued price inflation in raw materials



**+10%** increase of Brent Crude Oil price since Q2 2021

**10-year high** of prices for gas, palm kernel oil and MDI

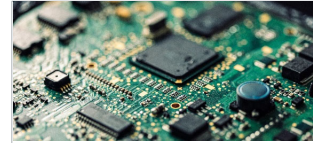
### Further pressure from logistics and supply chain imbalance



**+18%** increase of container freight rates since Q2 2021

**+8%** increase of average cost of shipment in NA since Q2 2021

### Supply shortages affecting economic activity



**-10%** cut in FY21 light vehicle production outlook since Q2 2021

**2-fold** average number of force majeure vs Q3 2020

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Supply chain headwinds are intensifying. Demand remains high across industries and consumer categories, but it meets very tight supply and logistics markets.

This imbalance has been further deteriorating in the past months – not least due to container and labor shortages as well as weather-related disruptions such as the devastation from hurricane Ida in August.

So, what have we been seeing in the markets in the third quarter?

- Prices for raw materials increased further from already high levels. Some input materials reached price levels not seen in ten years.
- Logistics cost were also up – reflected by further increases of global container freight rates and increased truck load prices. This resulted in higher average shipment costs, specifically in the North American market.
- And supply shortages are increasingly affecting economic activity – with a lasting effect. Light vehicle forecasts for the full year have been cut by 10 percent – equal to more than 8 million cars globally.

As a result of these accelerating trends, we are now expecting prices for direct materials to increase by a low to mid-teens percentage this year, implying further cost pressure in the second half of the year. This compares to our previous expectation of a low teens percentage increase as per August.

We continue to work hard to limit the impact on our profitability – with additional savings in the supply chain as well as pricing initiatives where possible, which will materialize with a certain time lag.

# PURPOSEFUL GROWTH



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In this demanding environment, we maintain our strong focus on our strategic priorities and are executing our Purposeful Growth Agenda with full force.

This year, we put special emphasis on two areas:

First: Further expanding competitive edge across our businesses through innovation, sustainability and digitalization.

And second: Shaping a collaborative culture with empowered people – making cultural change tangible for our people.

# PURPOSEFUL GROWTH



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In our call today, I would like to focus on our further progress with regard to our competitive edge.

Of course, we will report in detail on our strategic initiatives at our full year results release in February.

## Expanding our competitive edge in Adhesive Technologies, ...



- **Debondable hotmelt solution** allowing repair of car LED headlamps and supporting circular economy
- Innovative **color-matched adhesives** enabling seamless device design and improving water and drop performance
- New bonding technology facilitating **sustainable packaging solution for beverage can industry** with ~50% reduction of CO<sub>2</sub> equivalent



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In Adhesive Technologies, the teams continued to expand our competitive edge through continuous innovation and a strong focus on sustainable solutions.

Let me stress some highlights here.

We further strengthened our contribution towards a circular economy in the automotive industry with our new debondable hotmelt.

It enables cost-efficient repair of individual LED panels in the latest generation of LED headlamps. Until now, you had to change the complete car headlamp in case of a malfunction.

We also developed color-matched adhesives for seamless designs in the fast-growing market of mobile phones and wearable devices.

With our solution, we do not only enable attractive product designs, but also ensure superior waterproofing and drop performance.

And we introduced a new solution that facilitates a sustainable paperboard packaging in the beverage can industry. This innovative packaging solution has a lower carbon footprint than its alternatives – reducing the CO<sub>2</sub> equivalent by around 50 percent. The applied solution from our Technomelt range also has best-in-class recyclability properties.

## ... Beauty Care, ...

- Overproportional contribution from **relaunch** of **IGORA Royal** to overall strong Professional sales growth
- **Market share gains** in **Hair Cosmetics** driven by **Coloration** (+20 bps) and **Styling** (+50 bps)
- Further **enriching our nature brands**, e.g. with launches of **Nature Box** conditioner bars and hair shots



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In Beauty Care, the teams fueled the continued re-opening of hair salons with impactful innovations, leading to strong growth in Professional in the third quarter. Our IGORA Royal brand, which we had relaunched with a fully re-designed sustainable packaging concept, was an over-proportional growth driver.

In Beauty Care Consumer, we recorded an overall negative organic sales development. Markets remained challenging with continued weakness in the body care category after an already difficult Q2.

Nevertheless, we further expanded our competitive edge also in Consumer:

- We increased market shares in Hair Cosmetics. The share gains were supported by new launches under our Coloration brands Palette and Syoss as well as under our Styling brand got2b.
- And we further developed our nature brands. We broadened our Nature Box offering by extending our sustainable solid range now also into the field of Conditioners and by launching highly concentrated intensive hair treatments.

## ... and Laundry & Home Care.

- Very strong growth and **~60 bps market share gains** in **detergent caps**, boosted by successful innovation plan for different segments and price tiers
- Retail launch of innovative, sustainable **Persil Eco Power Bars** with 97% less plastic per wash load<sup>1</sup>
- **Home Care** gaining **global market share of ~50 bps** driven by innovations in Toilet Care and Dishwashing



<sup>1</sup> vs. standard Persil liquid detergents

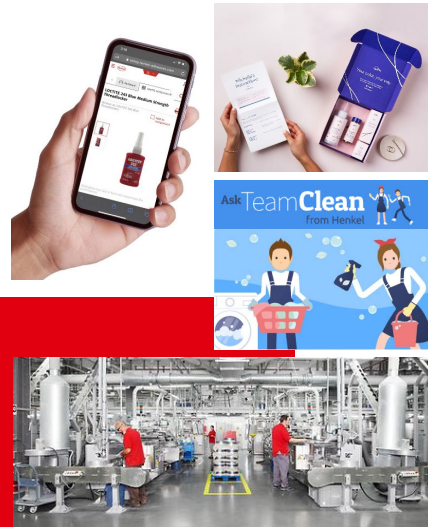
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In Laundry & Home Care, we sustained our innovation leadership, evidenced by market share gains across all regions – with the exception of North America:

- We once again outgrew our markets in the important caps segment and expanded global market shares by 60 basis points. For example, supported by the continued roll-out of our Persil 4in1 DISCS and further innovations across different price tiers.
- After the successful pilot launch in e-commerce channels, we launched our sustainable Persil Eco Power Bars also at retailers in Austria, the Czech Republic and Slovakia – and more markets will also follow.
- In Home Care, we continued to expand our position with share gains of 50 basis points. This was fueled by the roll-out of strong innovations in Toilet Care and Dishwashing under the brands Bref and Somat.

- **Digital share in Group Q3 sales** further advanced to **almost 20%** with increases in all business units
- **Growth of ~20% in e-commerce** in Beauty Care and Laundry & Home Care combined
- **Adhesive Technologies e-shop** continuously onboarding customers, boosting digital sales share to 30%
- **Pioneering role in Industry 4.0** again awarded by World Economic Forum



## Further driving digital transformation

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Moving on to digitalization, which continues to be a strong driver of our performance.

We expanded our digital sales share on Group level now to almost 20 percent.

In Beauty Care and Laundry & Home Care combined, we grew e-commerce sales by around 20 percent.

And in Adhesive Technologies, we continued to expand our successful B2B e-shop, onboarding further customers to the platform. Digital sales again increased by a clear double-digit percentage and with that, we have now reached a digital sales share of 30 percent in that business.

But our digital transformation is not only related to sales. In the field of industry 4.0, we were just recognized again by the World Economic Forum as a frontrunner. Our Laundry & Home Care plant in Toluca, Mexico, was awarded “Advanced 4th Industrial Revolution Lighthouse”. Already the third Henkel plant that received this important industry award.

These are just a few highlights – and the teams are driving further progress as we speak.

With that, let me handover to Marco, who will lead you through our business performance in more detail.

# AGENDA

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- 02** **Business Performance Q3 2021**
- 03** Outlook & Closing

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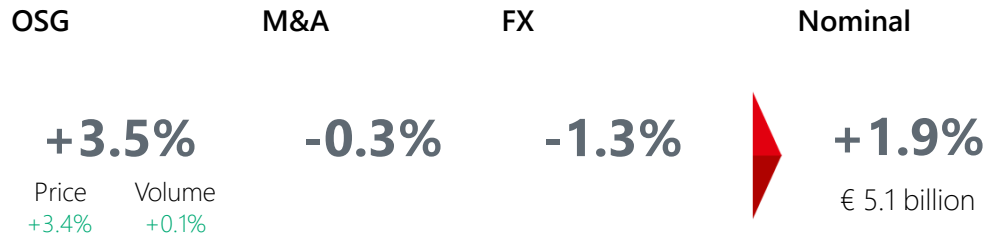
**Marco Swoboda, CFO:**

Thank you, Carsten, and good morning to everyone on the call also from my side.

Let's dive straight into the top-line performance in the third quarter.



▶ **SALES DEVELOPMENT IN Q3 2021**  
STRONG ORGANIC SALES GROWTH DRIVEN BY PRICE



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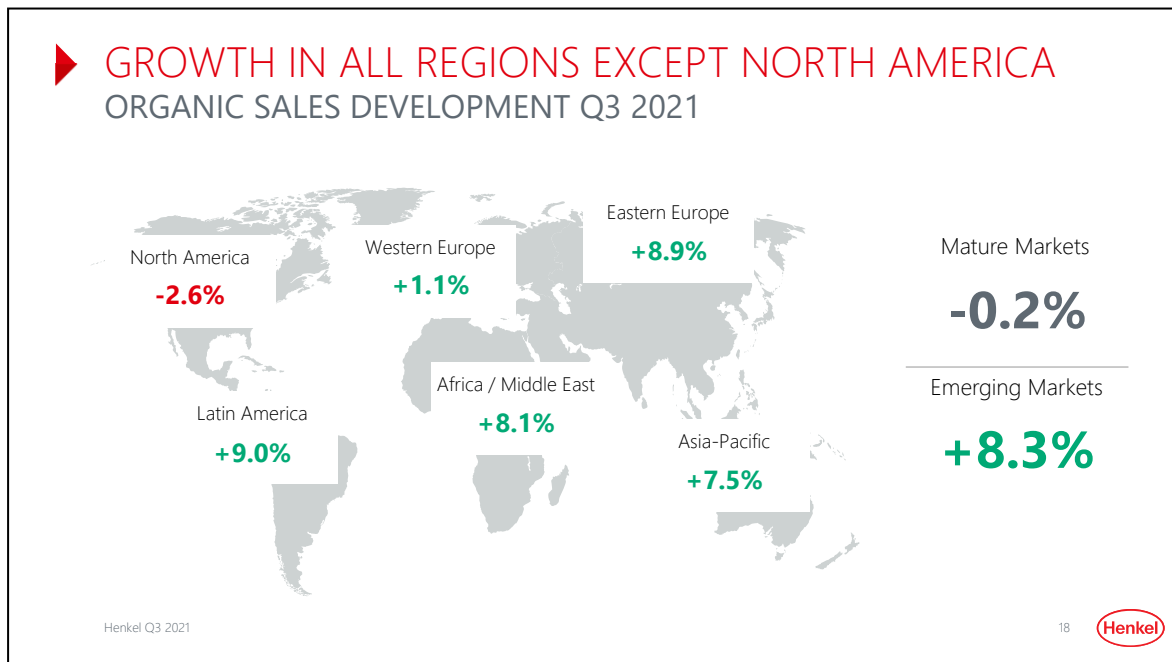
We achieved a strong organic sales growth of 3.5% in the third quarter, driven by a positive price development of 3.4%.

The stable volume development was characterized by a normalization in demand in our consumer businesses and the continued, but slower recovery in industrial production.

The net effect of our acquisitions / divestments had a slightly negative impact on sales of -0.3%. This reflects the increasing impact from divestments completed year-to-date as part of our active portfolio management.

Headwinds from currencies reduced significantly compared to the first half of this year, but still amounted to -1.3%.

In total, Henkel recorded a nominal sales increase of 1.9% to about 5.1 billion euros.



Let's look at the regions. From a regional point of view, we achieved organic sales growth in every region – with the exception of North America.

The emerging markets were strongly driving Henkel's organic sales growth. With a high single-digit increase in each Latin America, Eastern Europe, Africa / Middle East and Asia-Pacific.

Our performance in the mature markets overall was almost flat year-over-year, with mixed developments in the regions.

North America was lower year-on-year at -2.6% as a result of declines in both Beauty Care and Laundry & Home Care, whereas Adhesive Technologies achieved very strong growth despite the Automotive weakness we do also witness in North America.

And Western Europe recorded organic sales growth of 1.1%, supported by positive growth in Laundry & Home Care and again a very strong performance in Adhesive Technologies.



**ADHESIVE TECHNOLOGIES**  
ORGANIC SALES GROWTH: +7.0%

- Very strong growth against positive prior year basis, supported by all regions
- **Automotive & Metals** slightly negative due to Automotive; Metals with double-digit growth
- **Electronics & Industrials** up double-digit across both businesses, backed by strong demand
- **Packaging & Consumer Goods** growing double-digit with particularly strong Packaging business
- **Craftsmen, Construction & Professional** with very strong growth, driven by Construction and General Manufacturing & Maintenance

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With that, let me provide more detail on the performance of our business units.

Against an already positive prior-year base, and that is important to note, Adhesive Technologies overall achieved organic sales growth of 7% in the third quarter of 2021.

By business area, Automotive & Metals remained slightly below the prior-year and also below pre-COVID levels. Automotive was negative, due to the reduction of global automotive production as a result of challenged supply chains and the semicon shortage. Nevertheless, our Automotive business performed better than the Light Vehicle Production Index, which was down by about even -20%. Our Metals business in contrast continued to perform very well and achieved double-digit growth in Q3.

Moving to Electronics & Industrials – here we saw double-digit growth in both areas. We benefitted from a recovery of our Industrials business, as well as a continued strong customer demand in our Electronics business.

And also in Packaging & Consumer Goods, we achieved double-digit organic growth, thanks to a particularly strong growth in Packaging as well as in Lifestyle, and strong growth in Consumer Goods.

In Craftsmen, Construction & Professional, organic sales growth was very strong. The Consumers & Craftsmen business was lower compared to a strong prior-year Q3, which had benefited from catch-up effects, but well above pre-COVID levels. We could more than compensate this with significant growth in the Construction business, and double-digit growth in our General Manufacturing & Maintenance business.

## ▶ ADHESIVE TECHNOLOGIES GROWTH ACROSS ALL REGIONS

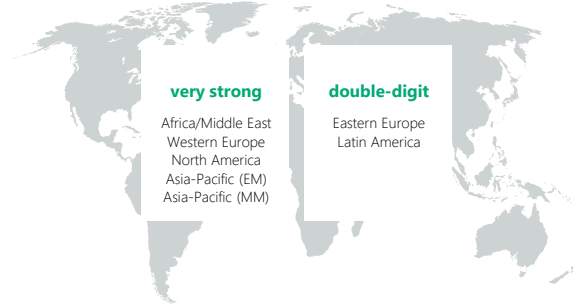
Organic Sales Growth

**+7.0%**

Price  
**+3.4%**

Volume  
**+3.6%**

Organic Sales Growth by Region



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The significant organic sales growth of Adhesive Technologies was equally driven by volume and pricing.

In the course of the year, we continuously increased our pricing, resulting in a contribution of 3.4% in the third quarter.

From a regional perspective, all regions contributed to this development with a very strong or double-digit growth.

In the emerging markets, we grew significantly above the prior-year level. In Eastern Europe and Latin America, we achieved double-digit organic sales growth, particularly driven by our Packaging & Consumer Goods business area.

In the mature markets, all regions reached a very strong organic sales growth. Although North America and Western Europe were negatively impacted by the decline of Automotive production, all other business areas could more than offset this development.



## BEAUTY CARE

ORGANIC SALES GROWTH: -3.0%

- **Professional** business with continued strong growth, exceeding pre-COVID levels, driven by North America and emerging markets
- **Consumer** overall below previous year with mixed developments across categories and regions
  - Challenging market environment in mature markets results in double-digit % decline in Body Care, especially Soap, vs high prior year
  - Normalization of demand in Hair: Styling with significant growth, while Color and Care below previous year
- **Market share gains** in Styling and Color

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In Beauty Care, organic sales development was at -3% below the prior year level and with a mixed development in our business areas.

Our Professional business sustained its recovery and achieved strong organic sales growth – against a prior-year basis, which was already less impacted by the pandemic, with more salons already back in operation. With this strong growth in the third quarter, we also exceeded the pre-crisis level organically for the first time.

In contrast, our Consumer business recorded an overall negative development against a very high prior-year basis – mainly driven by strong market headwinds from the continued normalization of demand in Body Care, in particular Soaps, against 2020 peak levels.

This resulted in a double-digit market decline in the key mature markets North America and Western Europe. In addition, the business is still confronted with an unbalanced supply / demand situation including excess inventories affecting the whole market.

The Hair Cosmetics category overall was slightly below prior year.

While Styling continued its recovery with significant organic growth in the third quarter, Color recorded a decline – also here driven by a normalization of demand compared to higher prior-year levels.

And importantly, we were able to expand our market shares in both categories, i. e. Color and Styling.

In Hair Care, organic sales development was below the previous year.

## ▶ BEAUTY CARE

SALES DEVELOPMENT BELOW PRIOR YEAR DUE TO MATURE MARKETS

Organic Sales Growth

**-3.0%**

Price  
**+1.7%**

Volume  
**-4.7%**

Organic Sales Growth by Region



Henkel Q3 2020

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In Beauty Care, the positive price development was more than offset by volumes, which declined by -4.7% – so overall, that resulted in a negative sales performance of -3.0%.

From a regional point of view, in North America and Western Europe, our strong comeback in Professional could not compensate for the decline in our Consumer business, especially Body Care.

In the emerging markets, Beauty Care achieved a very strong growth both in the Consumer and Professional businesses.

This development was bolstered by all regions, except Latin America.



## LAUNDRY & HOME CARE

ORGANIC SALES GROWTH: +2.0%

- **Laundry Care** with strong performance driven by strong growth in Heavy-Duty Detergents and double-digit growth in Special Detergents
- **Home Care** with share gains but slightly negative organic sales development due to normalizing demand in declining markets
- **Market share gains** in Europe, Africa/Middle East, Latin America and Asia-Pacific
- **North America** below prior year level due to persisting supply/logistics challenges

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Finally, on to Laundry & Home Care, which achieved a good organic sales performance of +2% – against a very high basis in the prior-year quarter.

This was in particular driven by Laundry Care, which recorded strong organic sales growth. Heavy Duty Detergents contributed with strong growth, supported by our megabrand Persil, which continued its excellent performance. Specialty Detergents achieved double-digit organic sales growth, fueled by our key brand Perwoll.

In Home Care, we recorded a slight decline in organic sales in the third quarter, mainly due to normalizing demand for hygiene articles and a corresponding decline in the surface cleaner category.

At the same time, we continued our strong performance in the dishwashing and toilet care categories with strong and significant organic sales increases, respectively.

Also in the third quarter, Laundry & Home Care continued to grow market shares, with gains in almost each region. The business unit even reached new record levels in Eastern Europe.

The North America region remained behind the prior-year level, both in terms of organic sales development as well as market shares. Here, our business continued to be affected by supply and logistics headwinds.

## ▶ LAUNDRY & HOME CARE GROWTH IN ALL REGIONS EXCEPT NORTH AMERICA

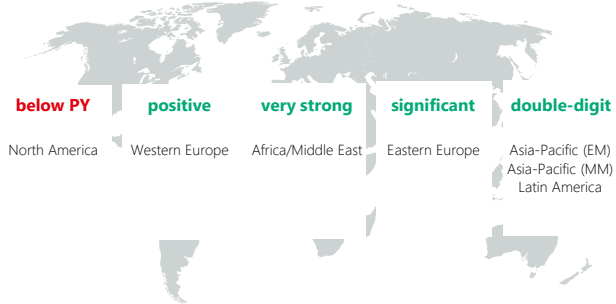
Organic Sales Growth

**+2.0%**

Price  
**+4.3%**

Volume  
**-2.2%**

Organic Sales Growth by Region



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Organic sales growth of Laundry & Home Care was entirely driven by price, which increased 4.3% in the third quarter, gradually stepping up compared to Q1 and Q2.

Volume in contrast was at minus 2.2%, mainly resulting from an ongoing negative development in North America as well as a further normalization of demand in hygiene categories.

From a regional perspective, Laundry & Home Care achieved organic sales growth in each region, except for North America.

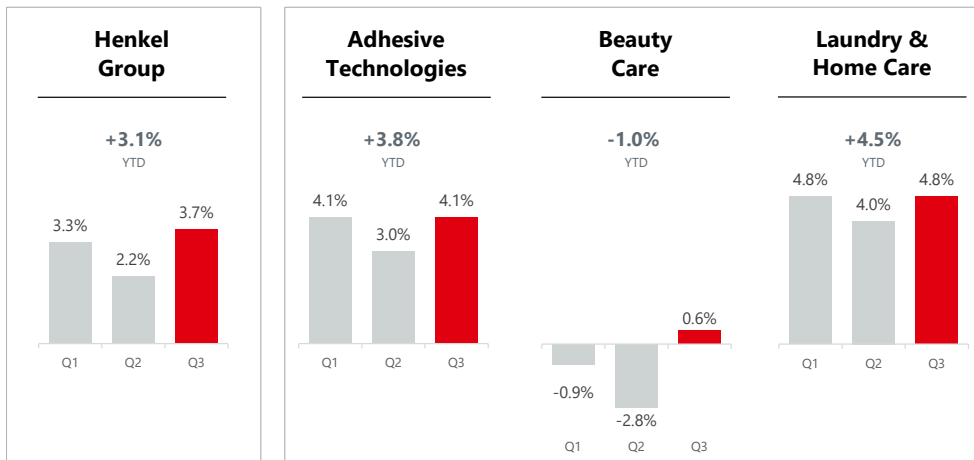
In the Asia-Pacific and Latin America regions, the business unit even recorded double-digit growth. Eastern Europe and Africa/Middle East achieved significant and very strong growth, respectively.

Finally, Laundry & Home Care delivered positive organic growth in Western Europe.



▶ **HENKEL WITH STRONG TWO-YEAR OSG CAGR**  
 EACH BUSINESS UNIT ORGANICALLY ABOVE PRE-COVID LEVEL IN Q3

OSG CAGR 2019-2021



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Let me close my financial review with an overview of the two-year growth rates.

Overall, Henkel achieved a strong two-year organic sales CAGR of 3.7% in the third quarter. Following a slow-down in the second quarter, our growth profile gained traction again in Q3 – on both Group and business unit levels. It is worth noting that all business units are back in a positive growth territory over the two-year period.

Adhesive Technologies and Laundry & Home Care recorded a two-year CAGR of 4.1% and 4.8%, respectively, in the third quarter.

In contrast, Beauty Care sales year-to-date are still below the 2019 level in organic terms. But also here, Q3 saw the business return to a positive two-year average growth rate – this is true for both Professional and Consumer.

With this, handing back to you, Carsten.

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**Carsten Knobel, CEO:**

Thank you, Marco.

Before moving to the Q&A, let me close our presentation with the full year outlook and our key business priorities for the remainder of 2021.

## ▶ UPDATED GUIDANCE 2021

	FY 2021 – previously	FY 2021 – updated
Organic Sales Growth	6.0 to 8.0%	6.0 to 8.0%
Adjusted EBIT Margin	13.5 to 14.5%	~13.5%
Adjusted EPS <sup>1</sup> (at constant currencies)	High single-digit to mid-teens %	High single-digit %

Henkel Q3 2021

<sup>1</sup> Per preferred share

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Based on our strong performance year-to-date, we expect that we will close the year well within our guidance range of 6 to 8 percent organic sales growth.

Our business environment continues to be impacted by the COVID pandemic and its implications on economic activity.

Consumer demand is returning to more normal levels in many categories – with varying dynamics and partially high volatility.

Industrial demand is recovering sharply, with many sectors coming back to their respective pre-crisis levels. With growth held back by extreme supply shortages and logistic bottlenecks.

And with drastic and broad-based increases of raw material prices and logistic costs. These headwinds intensified during the past months. As a consequence, we are now assuming that direct material prices will increase this year by a low to mid-teens percentage.

For sure the teams at Henkel continue to work hard to limit the impact on our businesses and profitability going forward.

We are reflecting this in our updated financial outlook for the full year and are now expecting an adjusted EBIT margin of around 13.5 percent and an adjusted EPS growth of a high single-digit percentage – which is representing the lower end of our prior guidance ranges.

## ▶ BUSINESS PRIORITIES

- **Protect and support** employees, customers and business partners
- **Manage performance** across all business units in volatile markets and unprecedented raw material and supply chain environment
- **Drive execution of Purposeful Growth Agenda** with focus on expanding our competitive edge and enhancing our company culture

Henkel Q3 2021



Our priorities for the remainder of 2021 are clear:

First, in these challenging and demanding times, we will continue to protect and support our employees, their families, our customers and business partners. This remains on top of our agenda in the management board.

Second, as we are facing an unprecedented situation in the raw material and supply markets, our focus is on managing our performance across all businesses.

Closely collaborating with our strategic partners to secure supply to our customers.

And working hard to limit the impact on Henkel's profitability with continued pricing initiatives and savings.

At the same time, we continue driving the implementation of our Purposeful Growth Agenda with full force – and a specific focus this year on expanding our competitive edge and enhancing our company culture.

With this, let us move to the Q&A.

Ladies and Gentlemen, we are looking forward to taking your questions.



**Question:** Good morning, Carsten, Marco, and Lars. Two questions for me, please. The first one on your consumer goods business in North America because you were mentioning in August that you were at an inflection point and yet your organic sales growth is still negative in Q3, market share development seems also to be negative in the Laundry. So, I appreciate you had a challenging base of comparisons, some persistent supply chain issues, but what tangible evidence do you have that would show that the turnaround plan is on track here? And I guess the bigger question is, at what point do you throw in the towel for this business?

And then my second question I mean may be a bit premature but can we talk a little bit about the 2022 margin outlook for consumer goods? Because when I look at the consensus on your website, it is for a meaningful expansion 100 basis points in Beauty, 40 basis points in Laundry. I would not expect you to provide a 2022 margin guidance today but directionally, do you think it's reasonable to assume such an uplift next year given that at least in the first half of 2022, you will still be facing off the same challenging commodity and logistic headwinds? Thank you.

**Carsten Knobel, CEO:** Yeah. Good morning. Very happy to take your questions. Let me start with the first one on the consumer businesses in North America. So, in North America, I think we were able – if you look or if we start with the Beauty Care part, we were able to significantly increase our market shares in Hair, here driven by gains in both Color and also in Styling. And the same holds true for our Professional business especially in North America where we have a quite significant share.

In contrast, the share of our Body Care category was lower year-over-year really also based on a quite challenging market environment. The relatively weak performance was mainly due to strong market headwinds which were triggered by a fast normalization of demand against the extreme peak levels in the prior year especially in the key mature markets. And in addition, the businesses here are facing an unbalanced supply and demand situation which is including excess inventories affecting the whole market. That's for the Beauty Care part.

If we move to the Laundry & Home Care situation, yes, we recorded a negative organic sales development in Q3 against the high comparison base in the prior-year quarter and that affected – and we were affected by severe material supply and inbound logistic challenges as a result of the supply chain disruptions. As a result, and after a meaningful improvement in H1, the service levels in Q3 have been negatively affected by that. The turning around of our performance of Laundry & Home Care in North America is definitely, as I mentioned it before, our top priority and we are taking the decisive decisions, actions which are also related to our framework.

And while we have not yet achieved the turnaround, we continue to execute our turnaround plan. We step up our innovation offensive with the launches across our key brands and to support our turnaround. You know that we installed last year with Alan Wolpert a new head. He finalized and brought his management team in the last couple of months in place and we are reorganizing also our structures to be more agile and more collaborative.

And we are further sharpening our portfolio and by that driving also key capabilities such as e-commerce, digital, and sustainability. Importantly, there are signs that our initiatives are starting to pay off. Overall, it is our clear ambition to re-ignite growth and significantly increase profitability to reinvest in our brands in the foreseeable future.

I think that's for the first part and the second question was your question related to the full year, or more to the outlook and direction of 2022. And I hope you understand that at this point I think it's too early and we don't provide the formal guidance for the fiscal year 2022. We will publish the guidance when we will present our results for the full year. Nevertheless, let me provide you some comments which are also in line with, I would say, recent statements also from peer companies.

First, I think the current forecast now for the, IHS so for the industrial side indicates a strong development of industrial production with an expected growth of around 4%. Secondly, the demand in the consumer categories should continue also to further normalize. And third, from today's point of view, raw material cost inflation is expected to persist also into 2022 with continued high volatility and that particular in the first half year. So, however, I think it's difficult to make a reliable assessment at this point in time with regard to the exact extent and also the impact as well the further development going forward. I hope that clarifies.

**Questioner adds:** Many thanks.

**Carsten Knobel, CEO:** You're welcome.

**Questioner adds:** Thank you very much, Carsten.

**Question:** Good morning, Carsten. My first question is on the impact of commodities on your margin. Clearly, margins are down because of it and you haven't had time to reset pricing with your customers yet. But clearly, in the next 12 to 18 months, you will have time to reset pricing with your consumer business. So, I'd expect quite a recovery of some of that commodity price impact. Would it be fair to assume that the total impact on margin you would be planning to recoup will be about 50 basis points to 100 basis points whenever sort of the timing is right for that?

My second one is I'm trying to get a feeling for price elasticity in your business, but it's probably too early from the data we've seen so far because most of the price increases seem to be in emerging markets and the volume declines in developed markets. So, in the next few quarters as you're passing through prices in developed markets, let's say you're passing – increasing them by 300 basis points, would it be fair enough to assume that all the benefit from pricing in developed markets will probably be offset with lower volume growth so we shouldn't really expect an acceleration of in the top line in the next few quarters on the back of that? Thank you.

**Carsten Knobel, CEO:** Good Morning. I would start with the second one. Maybe, Marco, you take then the impact on the commodities. So, first of all, I think what we can see is if you look and if we start maybe with the Adhesives part, what we have been able now, if you take quarter one, two and three we have almost doubled the pricing from 0.7% [sic; 0.8%] in quarter one to 1.7% quarter two, and now 3.4% in quarter three. And as we have mentioned it before, we have been and we will be always able to bring that price increases, which we face to our markets, to our customers with a certain time delay.

If you look at Consumers, as we have mentioned it always, it's more difficult to get that through. And also, also the discussions with the retailers are more difficult. And I think that's not only for us, for Henkel, that's for the whole industry. And taking that into account, when you talk about elasticity, too early in terms of to judge, because the price increases, especially in the consumer markets, will happen while we're speaking or even have been partly starting, but also will come. And therefore, elasticity is, at this point, difficult to comment on. What we currently see that there is not a big shift between the price increases we execute and volume-related reduction. Maybe we take now the other one, Marco, the commodity part.

**Marco Swoboda, CFO:** So what clearly we see, as you mentioned, is inflation especially on the input side on commodities, and that indeed has a strong impact on margins. And for sure, it is our ambition to pass through these higher commodity costs, finally, also to the customers, partly also compensate by efficiencies like we always said, so it will be at the end, a mix of measures that is required. And from a pass-through, very clearly, we want to pass on the absolute cost increase that we do see and therefore we do expect that also margins will recover from that point of view.

I do not comment on the size of that recovery but for sure, higher pass on in the future means an increase on the margin. But what is also important when you look at the whole topic, when you look at it from a mathematical effect, passing on absolute cost increases to the customers finally at the end means that you also ceteris paribus have a negative impact on margin.

So at the end, we have to see what the balance then will be, higher pass-through than in the year 2021 but then also from a mathematical point of view, you have higher turnover. But then basically if you compensate one on one your input costs from a gross profit level then if you take all that into account you also have a negative impact. And the net effect on margins is what we're going to see in the future.

So, as we cannot give a guidance, I cannot comment on where we stand but what is very clear, price increases are very high on our agenda. That's the only way to now deal with that environment like also competition does. And we are actively working on that to also pass through up next year.

**Questioner adds:** Thank you.



**Question:** Yes. Thank you. Good morning, Carsten, Marco, and Lars and team. Two questions, please. First of all on the Adhesives side, what are your salespeople telling you about the current demand situation in automotive? Is there any silver lining on the horizon or is it still unclear when the semi-driven – semiconductor-driven demand slowdown in automotive will pick up again? And then second, what are you doing on the hedging side in terms of raw materials? Can you do anything at all? And maybe, can you share some insights how long a typical raw material supplier contract is for Henkel? Thank you.

**Carsten Knobel, CEO:** Good morning. So, I will take the question of Adhesives and Marco will then comment on the hedging of raw materials. So, first of all, according to IHS, the global light vehicle production declined significantly by around minus 20% in Q3 primarily due to the semiconductor shortages. And while this impacted also our automotive business, I think it recorded a single digit percentage decline compared to the prior year, thus by that also outperforming the overall automotive market. And as you know, moreover, with our expertise and our innovative technologies, I think we are very well-positioned to continue winning with new businesses in this growing market of e-mobility. And by that, Henkel is continuously investing also in production facilities in order to drive that.

How this will continue, it's maybe also difficult to judge. You may recall, I think during the half year call, we talked about that we had impacts or we were estimating to have impact of around €80 million from the semiconductor shortages. And this, for sure, significantly increased now in the second half of the year, I would say, to a level of the mid €100 million or around €130 million to €150 million euros. Nevertheless, as you have seen, we have been able to compensate or even overcompensate that with other segments and how the situation will turn it's difficult to judge, but I think we will be also still impacted also at the beginning of the year. But as I mentioned it before, there are a lot of other sectors and opportunities where we can compensate. Hope that helps a little bit, and for the second question I hand...

**Questioner adds:** Yes, very clear. Thanks.

**Carsten Knobel, CEO:** And for the second one, I hand over to Marco.

**Marco Swoboda, CFO:** So yeah, your first part of the question related to hedging of raw materials. Like we said in the past, that is not a material effect that we can have from hedging because what we do buy is typically not the base chemicals or base commodities that you may be able to hedge. So from that point of view, financial hedging, we don't apply to a significant effect, only for very small elements where that is possible.

On the supply contract length, I think that relates then your question, I mean, what other measures or tools do we have basically to deal with the current environment and when is actually the current input cost inflation arriving. So on the contract length that is typically two to three months, what we do see here. But for some contracts, we also have formula-based pricing. So that is where also effects from base chemicals or base commodities would come through a bit quicker.

But the good thing in formula pricing is that basically the suppliers can't enlarge their margins on what they deliver to us, even if there's a big scarcity in the market. And so that's why, in part, we also favor formula pricing. But of course, we see significant developments also in these commodities that are the underlying of this formula. So we will see also some effects even coming through shorter than the two to three months. So that's basically, I think, to your question.

**Questioner adds:** Okay. Thank you very much, Carsten and Marco.

**Carsten Knobel, CEO:** You're welcome.

**Question:** Good morning. Thank you and good morning, everyone. So my first question is on Beauty. The volume was quite low, negative minus 4.7%. Could you give us a bit of a flavor on how it was Professional versus the rest which I think Professional must have been positive, but if you could give us an idea? And you were talking about this issue of oversupply, does it mean that that kind of magnitude of hit to your Body Care business will continue into the fourth quarter? My second question, in fact, is related to that. If I think about two years in a row since 2019, you have reinvested a big chunk behind both Beauty and Laundry & Home Care, three years down the line, what do you think you need to do in terms of reinvestment? Should we expect that this is something that needs to continue to be amended, and therefore, something that will come on top in 2022? Thank you.

**Carsten Knobel, CEO:** So, hello. Good morning. To your first question, if we have the split between the Retail and the Professional business, the negative organic sales development in the Consumer business was mainly due to declining markets in some of our key categories against the background of the pandemic-related normalization of demand, and a very high comparison at the previous year peak levels. In some of the key categories, I think we recorded around 7% top line in Q3 2020. And as I pointed out before, the main driver was the performance in Body Care which recorded a clear double-digit organic sales decline in the Q3. And this was particular due to the significant decline in the soap market, in the key markets of North America and Western Europe resulting from a normalization of the demand I mentioned before, of the peak levels and due to an unbalanced supply demand situation and the excess of the inventory levels.

In contrast, the Consumer Hair, I mentioned, that also was overall slightly below the prior year with mix developments. We had very good development in Styling to – continue to recover and posted also significant organic sales growth after it just turned positive in Q2 of last year. And in Color, we continued to gain shares in Q3 in an overall declining market.

Moving to the Professional part. The Professional part did not experience material restrictions in terms of salon lockdowns in the third quarter anymore. So subject to further pandemic development, we expect stability and further normalization of the situation also in 2022. So that's to the situation/to your first question on Beauty.

Your second part, only for clarification, it means when you talk about investments, you're talking about the marketing investments, correct?

**Questioner adds:** Exactly, yeah.

**Carsten Knobel, CEO:** Good. Okay. Then it's clear. So if we take that into account, so year to date, we continue to invest in our brands on the increased level we announced in March 2020 when you recall where we made the kind of margin reset. And by saying, we wanted to invest €200 million more than 2019 and €350 million more than 2018. So this time with somewhat stronger investment increases in the Beauty Care, Consumer as well as Professional, in this year, I hope you – please understand that I do not provide a formal guidance on our marketing and advertising spend for the full year.

But of course, in this dynamic economic and competitive environment, we need to keep a high degree of flexibility in adjusting the measures and also the marketing spend and also going forward, we will ensure that the investments are well-targeted and reasonable. And I think coming back to the situation, what we have seen also in terms of market shares: I mentioned it, I think, we have seen in Laundry & Home Care market share gains in all countries, in all regions. So therefore, the elasticity of the additional marketing spend plays a good role. For sure, it's not a single individual component because it's also related to innovation and teams and so on.

With the exception of North America, I think here I've been clear and transparent. And in Beauty Care, I think the situation is that it is paying in a good way off when it comes to the Professional part, where we see really good development, and the same I mentioned before for Color and Styling. The Body Care, I think I explained in detail that it is significantly also impacted by the whole COVID situation and the way of normalization of the situation.

**Questioner adds:** Thank you.

**Carsten Knobel, CEO:** You're welcome.

**Question:** Yeah, good morning, everybody. Firstly, just on Adhesives, given you've got some volume growth there and obviously price growth, are you able to say whether as a run rate, your absolute EBIT level in Adhesives is flat at all or stable at least? And then, are you able to say something about the inventories on both the customer and on the supply side, please. And then, just as a follow-up on the earlier questions on Consumer and I guess particularly North America, do you expect any negative impact on shelf space or listings for full year 2022 from the service level impacts in full year 2021, please.

**Carsten Knobel, CEO:** So, maybe I start with the follow-up question, the last one. We're not expecting any negative impacts on that in terms of that the service levels are impacting the shelf because we are, on the measures to improve the situation because mainly the impact was not negative performance from our side or operative performance, but was really shortages of materials, which is not only affecting us.

To the question of Adhesives, as far as we can assess it, we did not experience significant catch up or stocking dynamics as a consequence of our pricing initiatives. We also did not face any major volume losses as evidenced by overall strong volume growth of 3.6%. So, therefore, I think nothing to add more. And maybe, the inventory part, Marco, can you take that?

**Marco Swoboda, CFO:** So when it comes to Henkel, then of course we do revisit here and there our inventory levels, also to increase selectively safety stocks to deal better with the current volatility on the supply markets. And in that sense, from a net effect, there will be probably some also increases in inventories compared to what we have seen in the past, but not dramatically but selectively where we see big shortages and therefore, risk also in the future.

**Questioner adds:** Again, sorry, I just didn't quite understand the comment that Carsten did, your absolute EBIT level in Adhesives, what are you saying there? Sorry, are you matching prices versus – price and volume versus the cost increases now or is that still to come?

**Marco Swoboda, CFO:** I mean we – basically, maybe I'll take that one, maybe to look at it from a different perspective, we always have done in Adhesives, we have a pass-through of our material costs that takes a while to get digested and that pass-through over time is after roughly three to six months.

So from that perspective, we are not yet there to pass it over. And insofar from a margin perspective, for sure, on a net basis, at the moment we are still being hit. But as we said, experience shows in Adhesive Technologies that we are able to cope with these environments with a time lag of three to six months, that's I think what we can say at that point.

**Carsten Knobel, CEO:** And the strong evidence that we are passing through prices is what I mentioned before in one of my comments: If you see the accelerating trend of the price component from 0.7% [sic; 0.8%] to 1.7% to 3.4% in the quarters of Q1, Q2, and Q3, I think we have doubled the pricing in each consecutive quarter. And I think that's exactly what Marco has pointed out. But maybe I had not understood your question well enough.

**Questioner adds:** Yeah. No problem. Thanks very much for the clarification.

**Carsten Knobel, CEO:** Okay. You're welcome.

**Question:** Thank you very much. So, a couple of questions for me if that's okay. Firstly, just very quickly, could you give us any idea as to what proportion of pricing across your business rolls over in January because I think European branded stuff is often on kind of annual pricing cycles, I think some of your Adhesives business as well. So, just any idea of what proportion of price contracts roll over in January? Ideally by division would be great. Thanks.

Secondly, I wondered if you could talk at all about within Beauty, particular hair styling and hair color, whether you're seeing any actual fashion changes post-COVID or how the consumers' approach to their hair is changing now that people can kind of get out about again. Some of your competitors have mentioned that they've seen categories like color cosmetics doing a bit better. I wondered if you could comment at all on how that's going with hair or perhaps provide an update on your own recent kind of move into color cosmetics with got2b?

And then just finally, sorry to come back to it, but the US supply chain issues – I think you've had quite a few of those over the last five, six years where your supply chain there seems to kind of suffer a problem every 18 months or so. I just wonder if you felt confident that you just had a series of unconnected events and it was just coincidence, or if you felt there might be any sort of bigger structural implications in how you're running your US supply chain that perhaps needed revisiting? Thank you very much.

**Carsten Knobel, CEO:** So, a couple of questions, coming back, I think I will take the pricing one and also the question related to Beauty, and Marco then will comment on the supply chain situation. So, maybe start with Beauty. So what I mentioned before is definitely, I think we are seeing normalization of trends or based on the COVID situation in styling, in color, at-home colorations always needs to be seen then also for sure with the Professional business.

And I mentioned it before, I think here in that part, we see from a business performance perspective, really good developments. We see increasing market shares in Styling, in Color, in Home, but also in the Professional business overall. Are there new trends? Now, I would say for sure, you can imagine now with some parts of that market or also activities in the evening getting open that people are coming back on that and are also very motivated to spend and to show.

Therefore, I think styling and color situations are from a trend perspective in general positive, but there are from my point of view not extraordinary new ways how people style or how people color in a way. On the situation of, when you mentioned the color cosmetics launch under got2b, I think it's too early to make an assessment regarding the launch of the got2b makeup portfolio. It was launched and rolled out just in the late Q3. And is meanwhile available in many stores of some of the major retailers in Germany and the launch was supported by a good media campaign, which also delivered good results. I think on that part.

Coming to your pricing question, your first one, in terms of how the things are going into the next year. I think, I said it, I think as you can see in the first three quarters, we doubled the pricing in each consecutive quarter. And in the fourth quarter, pricing is expected to further increase to support our organic sales performance. So therefore, it will be definitely above what we have seen in Q3 of this year. And by that, I think we had it last time and there is no big difference in terms of that, we are saying that a big portion of this raw material increase – 70%, 80% – will be seen within this year. But there will be spillover effects to not only to January, but to next year. And this we will see definitely then within 2022.

And maybe for the last part, Marco, the supply situation.

**Marco Swoboda, CFO:** Yes. So when we look overall at the supply situation worldwide, of course, all the businesses, companies struggle in different also categories and segments. So that's what we see overall throughout the whole economy. When we look at Henkel in the first nine months, we did record globally an all-time high of supply disruptions or force majeure that basically our suppliers do declare, and that number has reached even now on the first nine month, a number of 1,300.

And that compares with the number of maybe 100 – around 150 incidents in a normal year. So, dramatic uplift and that's even more than in the COVID year 2020, where we had roughly 600 supply disruptions. So worldwide, it's a really challenging environment that we're operating in.

And when it comes to North America, here we are particularly hard hit also by a number of events. And so, first, the weather-related phenomenons that we have seen. So, beginning of the year, basically, the freeze of the Gulf Coast leading to a lot of petrochemical facilities having to be stopped, affecting the whole commodity supply in North America and gradually recovering throughout Q1, Q2. And then, in September, Hurricane Ida hit again, the industry also then imposing new shortages due to plant shutdowns of suppliers. And that is basically hitting, of course, not only us, but the general industry in North America.

On top, we do see very strong shortages also in logistics capacities. So there's a severe shortage of truck drivers, for example, in North America, also making it hard even if you can secure the supply, but then you have to arrange transportation from the suppliers' plant to your own facilities. And that is the second challenge that the teams are working on and we have task forces in place there to deal with it. But it's a difficult situation and that is not hitting us alone. That is basically a phenomenon we do see, so many, many companies struggle with it. Also, our customers, by the way, do struggle with it, in particular in the fast-moving consumer goods area, where we often have contracts, where basically the customer is responsible for picking up the goods at our factories. So that has proven for the customer to be a very efficient model in the past. That's why typically certain customers do prefer that. But also here, customers fail to arrange transportation, the pickups that they are responsible for and basically, working with our customers through that. But that shows that it's not a Henkel phenomenon, per se.

So to your question, is it structural? We think not really because at the end, that is what we see not only hitting us, but also our customers. In the past, we had, as you pointed rightly out, also certain issues in North America when it came to supply chain. And back in 2018, that was more self-inflicted, in fact, due to the change of our logistic IT system at the time. So that was a completely different impact that we had then. Now basically, the industry is struggling with the current conditions in the market.

**Questioner adds:** Thank you.

## ▶ CLOSING REMARKS

- Henkel achieves overall **strong organic sales growth** in Q3 2021, **exceeding pre-COVID levels** in each business unit
- **Differentiated business unit development** driven by varying dynamics in industrial and consumer markets
- **Agile management of volatile business environment** as challenges in tight supply and logistics markets with broad-based input cost inflation intensify
- **2021 outlook updated**
- Continued focus on implementation of **Purposeful Growth Agenda**

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Thank you. So first of all, thank you for your questions.  
Let me close today's presentation with a summary of our key takeaways.

In the third quarter, we sustained our growth path with a strong organic sales growth of 3.5 percent. This corresponds to a strong annual organic performance of close to 4 percent since the third quarter of 2019 – with all businesses exceeding their respective pre-crisis level organically.

In our markets, we saw a continued recovery of industrial production as well as a further normalization of demand in relevant consumer categories. These dynamics were reflected in the development of our business units.

We have been experiencing further headwinds from extremely tight supply and raw material markets. And we have been managing those with our teams in an agile way – with extensive measures to limit the impact on our business and profitability.

We are reflecting all that in our updated outlook for 2021.

Finally, we continue to drive the execution of our Purposeful Growth Agenda across all pillars.





## UPCOMING EVENTS

February 23, 2022

**Q4 & FY 2021 Release**

April 4, 2022

**Annual General Meeting**

May 5, 2022

**Q1 2022 Release**

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As always, please be reminded of our upcoming events.

Our next event will be the publication of our fiscal year release in February.

And with this, I would like to thank you for joining our call today.

Take care, stay safe and stay healthy.



▶ **UPDATED GUIDANCE 2021**

**Organic Sales Growth**

**+6.0 to 8.0%**

Adhesive Technologies +10.0 to 12.0%

Beauty Care +2.0 to 4.0%

Laundry & Home Care +2.0 to 4.0%

**Adjusted EBIT Margin**

**~13.5%**

Adhesive Technologies ~16.0%

Beauty Care ~9.5%

Laundry & Home Care ~14.0%

**Adjusted EPS<sup>1</sup>**

**High single-digit %**

increase at constant exchange rates

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<sup>1</sup> Per preferred share



## ► FY 2021: ADDITIONAL INPUT FOR SELECTED KPIS

Currency Impact on Sales	Mid-single-digit % negative <sup>1</sup>
Prices for Direct Materials	Increase by low to mid teens % <sup>1</sup>
Restructuring Charges	€ 250 - 300m
CapEx	€ 600 - 700m