

## News Release

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Comprehensive measures to take Purposeful Growth Agenda to the next level

### **Henkel plans to merge Laundry & Home Care and Beauty Care to create new “Consumer Brands” business unit**

- **Creating one multi-category platform for growth with around 10 billion euros sales**
- **Continued optimization of consumer portfolio: clear focus on core brands and businesses with attractive growth and margin potential and a stronger basis for M&A across consumer space**
- **Significant synergies and efficiency gains expected through the combination**
- **Launch of share buyback program of up to 1 billion euros: leverage strong balance sheet and cashflow, optimize the capital structure and signal strong confidence in the future potential for profitable growth**
- **Preliminary results for 2021 published: Organic sales growth (OSG) of +7.8 percent, EBIT margin\* of 13.4 percent and earnings per preferred share\* (EPS) growth of +9.2 percent (at constant exchange rates)**
- **Outlook for 2022: OSG: 2 to 4 percent, EBIT margin\*: 11.5 to 13.5 percent, EPS\* development: -15 to +5 percent (at constant exchange rates), reflecting high level of market uncertainty and volatility**
- **New mid- to long-term financial ambition for Henkel: OSG of 3 to 4 percent, EBIT margin\* of around 16 percent and mid- to high-single-digit percentage EPS\* growth (at constant exchange rates, incl. M&A)**

Düsseldorf – Henkel today announced plans to merge its business units Laundry & Home Care and Beauty Care into one business unit: Henkel Consumer Brands. The company will start preparations for the integration process immediately and aims to have the new organization in place latest by beginning of 2023. With the new business unit, Henkel will build one multi-category platform for growth, combining its consumer brands and businesses under one roof, including many iconic brands such as Persil and Schwarzkopf, also comprising the hair professional business.



**“We will join forces in our consumer goods businesses to create one strong, integrated business unit as a foundation for future profitable growth. The integrated Consumer Brands business will bring significant benefits to Henkel, our shareholders, customers and teams and will be well-positioned to actively shape its future in a highly dynamic industry,” said Carsten Knobel, CEO of Henkel.**

**“We are creating a multi-category platform with around 10 billion euros in sales. This will provide a broader basis to further optimize and shape our portfolio towards a higher growth and margin profile. We will also capture significant synergies and efficiency gains, allowing us to free up resources which will be used in part for targeted investments in our strategic priorities, such as innovation, sustainability, and digitalization. We will become an even more attractive employer of choice, offering bigger roles and growth opportunities in an exciting industry. In summary: I am convinced that this merger will take our Purposeful Growth Agenda to the next level.”**

**The merger is designed to drive growth and profitability for the consumer business and the company. This is also reflected in the new mid- to long-term financial ambition which Henkel provided: the company now aims for 3 to 4 percent organic sales growth, an adjusted EBIT margin of around 16 percent and mid- to high-single-digit percentage growth in adjusted earnings per preferred share (at constant exchange rates, incl M&A).**

### **Strong platform: focus portfolio on attractive growth and margin potential**

Henkel Consumer Brands will offer the opportunity to better capture the full potential for organic and inorganic growth and to focus on products with attractive growth and margin potential – beyond the measures of the active portfolio management completed by the end of 2021.

Further portfolio measures will include divestments or discontinuation of non-core brands and businesses as well as acquisitions in categories across the consumer space. First measures relating to the Beauty Care portfolio will be already implemented in the course of 2022.

### **Creating scale: significant synergies and efficiency gains**

By integrating both business units Henkel will create more scale, allowing the company to capture significant synergies and to become more efficient and agile as well as helping the organization to act faster and more flexible in a highly volatile environment. Synergies are expected in areas such as administration, distribution, marketing, and supply chain.

This will allow the new Consumer Brands business to free up resources for higher investments and better target these investments in strategic capabilities, for example digitalization of R&D, e-commerce capabilities or sustainability efforts around recyclable packaging. Synergies will be also used to strengthen the business unit's margin profile.

### **United teams: leaner structures, faster decision-making and attractive opportunities**

The new business unit will be organized around customer and channel centricity – with an integrated approach for retailers, trade or channel partners across all consumer categories.

Under one leadership, the combined team will focus on advancing the entire consumer business, with leaner structures and faster decision-making. In the combined business, Henkel will offer bigger roles and opportunities, becoming an even more attractive employer for teams, leaders, talents and new hires.

### **Clear leadership structures for new Consumer Brands business unit**

The integration process and the new combined unit will be led by Wolfgang König (49), currently Executive Vice President for Henkel's Beauty Care business. Bruno Piacenza (56), who leads Henkel's Laundry & Home Care business as Executive Vice President since 2011, will continue to lead the Laundry & Home Care business, work closely with Wolfgang König on the transition process and stay with Henkel latest until the end of 2022.

"On behalf of the Shareholders' Committee and the Supervisory Board of Henkel, I would like to wish Wolfgang König all the best for his new responsibility. His international management and leadership experience in the consumer goods, home and personal care industry will be highly valuable in forming and successfully developing our new Consumer Brands business unit together with the new leadership team," said Dr. Simone Bagel-Trah, Chairwoman of the Shareholders' Committee and the Supervisory Board of Henkel.

"I would also like to sincerely thank Bruno Piacenza. He looks back at more than 30 years at Henkel and has led our Laundry & Home Care business as Executive Vice President for more than 11 years. Thanks to his passion and expertise, our top brands and the business have developed successfully over this period. We are very grateful for his commitment and contribution and are glad he will work with Wolfgang König to ensure an efficient transition process."

"Under the leadership of Wolfgang König, the combined team will focus on advancing the entire Consumer Brands business, with leaner structures and faster decision-making. I would also like to express my personal appreciation for Bruno Piacenza and his many achievements in the course of more than three decades at Henkel," added Henkel CEO Carsten Knobel.

### **Share buyback program with a volume of up to 1 billion euros**

Henkel is also launching a share buyback program with a total volume of up to 1 billion euros. Henkel preferred shares with a total value of up to 800 million euros and ordinary shares with a total value of up to 200 million euros are to be repurchased. Based on current stock market prices, this corresponds to a share of about 3 percent of the company's capital stock. The program is expected to start during the month of February 2022 and to be carried out until March 31, 2023, at the latest, with the involvement of a bank via the stock market. In April 2019, the Annual General Meeting authorized the Henkel Management Board to acquire treasury shares of up to 10 percent of the capital stock. Henkel intends to hold the repurchased shares initially as treasury shares, reserving the right to cancel them and reduce the capital stock accordingly.

"With this program, we are creating value for our shareholders and are underpinning our confidence in our financial strength and future potential of our businesses. Given our strong balance sheet and low debt levels as well as our strong cash flow generation, this will not impact our ability to pursue strategic acquisitions – in both our Consumer Brands and our Adhesive Technologies business units," said Henkel CEO Carsten Knobel.

### **Henkel announces preliminary figures for 2021**

Based on preliminary figures, Henkel achieved an overall good performance in fiscal 2021. This development was in particular driven by double-digit growth in its Adhesive Technologies business unit, while the continued effects of the COVID-19 pandemic impacted profitability, especially due to the sharp increases in raw material prices and strained supply chains.

On a preliminary basis **Henkel Group sales** in fiscal 2021 increased to 20,066 million euros. Organic sales growth was at 7.8 percent. The **Adhesive Technologies** business recorded sales of 9,641 million euros. This represents a double-digit organic growth of 13.4 percent. **Beauty Care** recorded sales of 3,678 million euros and organic growth of 1.4 percent. In **Laundry & Home Care** sales grew to 6,605 million euros representing organic growth of 3.9 percent. For Henkel, **adjusted return on sales (EBIT margin)** was 13.4 percent. The Adhesive Technologies business unit achieved an adjusted return on sales of 16.2 percent. The Beauty Care business unit delivered an adjusted return on sales of 9.5 percent, while the adjusted return on sales of the Laundry & Home Care business unit was 13.7 percent. **Adjusted earnings per preferred share (EPS) for the Group** increased to 4.56 euros or +9.2 percent (at constant exchange rates). All numbers are on a preliminary basis.

“Despite a very challenging business environment with unprecedented disruptions in global supply chains, shortage of raw materials and significantly surging prices, we achieved an overall good performance with significant organic growth supported by all business units, a stable margin and a very strong increase in earnings per share. This is the achievement of the global Henkel team which again went above and beyond to keep our businesses up and running to serve our customers and consumers around the world,” said Carsten Knobel.

## **Outlook 2022**

Taking into account the current assessment of the market environment, in particular the continuing tense situation in the markets for raw materials as well as in the supply chains and related further strong increases in direct material cost, Henkel provided its **outlook for fiscal 2022** (based on the current setup with three business units).

**Henkel** expects organic sales growth for the Group in the range of 2 to 4 percent in 2022. For the **Adhesive Technologies** business unit, Henkel expects organic sales growth in the range between 5 and 7 percent in 2022. For the **Beauty Care** business unit, negative organic sales development in the range between -5 and -3 percent is expected. The decrease is mainly due to measures already decided and in implementation to improve the portfolio, including the discontinuation of activities that will not be part of the future core business, amounting to around 5 percent of the business unit’s sales in 2021. For **Laundry & Home Care**, Henkel expects organic growth of 2 to 4 percent.

**Adjusted return on sales (EBIT margin)** for the Group is expected to be between 11.5 and 13.5 percent. For **Adhesive Technologies** Henkel expects adjusted return on sales between 15 and 17 percent, for **Beauty Care** between 7.5 and 10 percent, and for **Laundry & Home Care** in the range of 10.5 to 13 percent.

At Group level, Henkel expects for **adjusted earnings per preferred share (EPS)** a development in the range between -15 to +5 percent (at constant exchange rates), reflecting high level of market uncertainty and volatility.

### **New mid- to long-term financial ambition**

With its new multi-category platform and a joint consumer goods team, Henkel will drive growth and profitability for the consumer business and the Group. As part of its new mid- to long-term financial ambition, Henkel aims for its **Consumer Brands** business to improve the growth and margin profile sustainably and to achieve 3 to 4 percent organic sales growth and an adjusted EBIT margin in the mid-teens percentage. For its **Adhesive Technologies** business unit, Henkel's ambition is to achieve organic sales growth in the range of 3 to 5 percent and an adjusted EBIT margin in the high-teens percentage.

Based on this, Henkel pursues a mid- to long-term ambition for the **Group** of 3 to 4 percent organic sales growth, an adjusted EBIT margin of around 16 percent and an increase of the adjusted earnings per preferred share by a mid- to high-single-digit percentage (at constant exchange rates and including acquisitions). At the same time, Henkel will place a continued focus on expanding the free cash flow.

### **Next steps**

Henkel will start as soon as possible the information and consultation process with the respective employee representatives as the merger will also have implications on employees in both business units around the world.

Further details on the business development in fiscal 2021 and the outlook for fiscal 2022 as well as updates on the progress and next steps of the company's strategic agenda for purposeful growth will be presented at the analyst and press conference on February 23, 2022.

Further information on the integration process of the two consumer business units as well as the planned portfolio measures, including expected synergies and restructuring expenses, will be published together with the report on the first quarter on May 5, 2022.

A detailed update for both business units – Consumer Brands and Adhesive Technologies – will be provided at an investor day in the course of 2022.

### **About Henkel**

Henkel operates globally with a well-balanced and diversified portfolio. The company holds leading positions with its three business units in both industrial and consumer businesses thanks to strong brands, innovations and technologies. Henkel Adhesive Technologies is the global leader in the adhesives market – across all industry segments worldwide. In its Laundry & Home Care and Beauty Care businesses, Henkel holds leading positions in many markets and categories around the world. Founded in 1876, Henkel looks back on more than 140 years of success. In 2021, Henkel reported sales of more than 20 billion euros. The company employs about 53,000 people globally – a passionate and highly diverse team, united by a strong company culture, a common purpose, and shared values. As a recognized leader in sustainability, Henkel holds top positions in many international indices and rankings. Henkel's preferred shares are listed in the German stock index DAX. For more information, please visit [www.henkel.com](http://www.henkel.com).

This information contains forward-looking statements which are based on current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. Statements with respect to the future are characterized by the use of words such as "expect", "intend", "plan", "anticipate", "believe", "estimate", and similar terms. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and results actually achieved by Henkel AG & Co. KGaA and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Henkel's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Henkel neither plans nor undertakes to update any forward-looking statements.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Henkel's net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

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