



# Henkel Strategy

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Excellence is our Passion



## Disclaimer

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# Agenda

1	Achievements 2008 - 2012
2	Henkel Strategy
3	Financial Targets 2016
4	Summary

**We set a clear strategic direction with 3 priorities...**



## ...and ambitious financial targets for 2012



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Org. Sales Growth (average)	3-5%
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EBIT Margin (2012)*	14%
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EPS-Growth (CAGR)*	> 10%
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\* adjusted

## All strategic priorities were pursued consistently



# We faced severe headwinds and volatility

## Headwinds

- Financial crisis
- Material price increases
- Political turmoils
- Euro crisis

## Volatility

	<u>Assumptions</u>	<u>Reality</u>
GDP Growth	3-4% CAGR	1.8% CAGR (-2.1% – +4.1%)
EUR/USD	1.40 – 1.55	1.19 – 1.51
Crude Oil	100 – 120 USD	37 – 127 USD

## Despite all odds, we are underway to reach our targets

	Targets 2012	Achievement until 2011	Actuals 1-9 2012
Org. Sales Growth (Ø)	3-5%	+3.1%**	+3.7%
Adj. EBIT Margin	14%	13.0%	14.3%
Adj. EPS-Growth (CAGR)*	>10%	+12.8%***	+19.4%
Sales Share EM	45%	42%	43%

\* per preferred share

\*\* Arithmetic mean 2009 through 2011

\*\*\* 2008 through 2011



## Our progress is built on various drivers...






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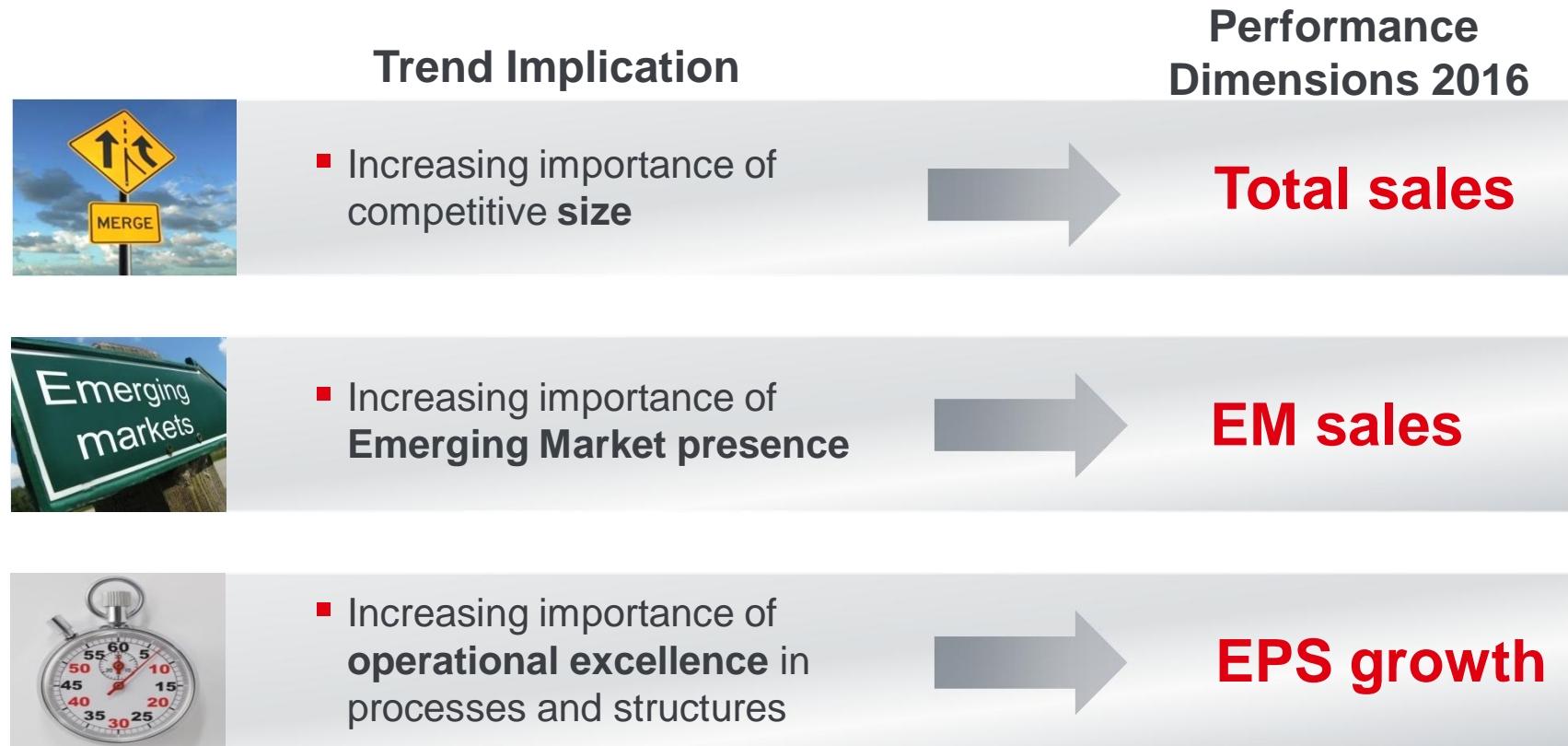
## A collage of various images arranged in a grid-like fashion. The images include a Buddha statue, a volcano, a rose, a bird, a dollar bill, and many abstract patterns. The word "review" is written in red at the top left.

- 1 Which megatrends will shape our markets in the years to come?**
- 2 How well is our portfolio positioned against these trends?**
- 3 What actions are necessary to capitalize on these trends?**

# Overview of megatrends and their implications

	Trend Description	Trend Implication
	<ul style="list-style-type: none"><li>Consolidation of suppliers, manufacturers and buyers</li></ul>	<ul style="list-style-type: none"><li>Increasing importance of competitive <b>size</b></li></ul>
	<ul style="list-style-type: none"><li>Shift of market growth to Emerging Markets</li></ul>	<ul style="list-style-type: none"><li>Increasing importance of <b>Emerging Market presence</b></li></ul>
	<ul style="list-style-type: none"><li>Rapidly changing markets &amp; faster transfer of information</li></ul>	<ul style="list-style-type: none"><li>Increasing importance of <b>operational excellence</b> in processes and structures</li></ul>

# Overview of megatrends and their implications



## Long-term market assessment

- Active in markets of significant size
- Markets are attractive in terms of profitability and offer long-term growth potential
- Strong potential to expand our businesses



Strong ability to win in attractive markets

# Leverage full potential in all businesses

## Consumer Business

### Laundry & Home Care



**Persil**  
**Purex** **Pril**

### Beauty Care



Schwarzkopf |   
**syoss** 

## Industrial Business

### Adhesive Technologies



**LOCTITE**   
**TECHNOMELT**



## Our strategy is based on our vision & values

**A global leader in brands and technologies**

**Customers**

**People**

**Financials**

**Sustainability**

**Family**



## Key success factors to achieve our vision

### A global leader in brands and technologies

- Leading position
- Global footprint
- Leading processes
- Strong & diverse team
- Leading financial performance

- #1 choice for customers & consumers
- Innovation leader
- Powerful brands
- Balanced portfolio

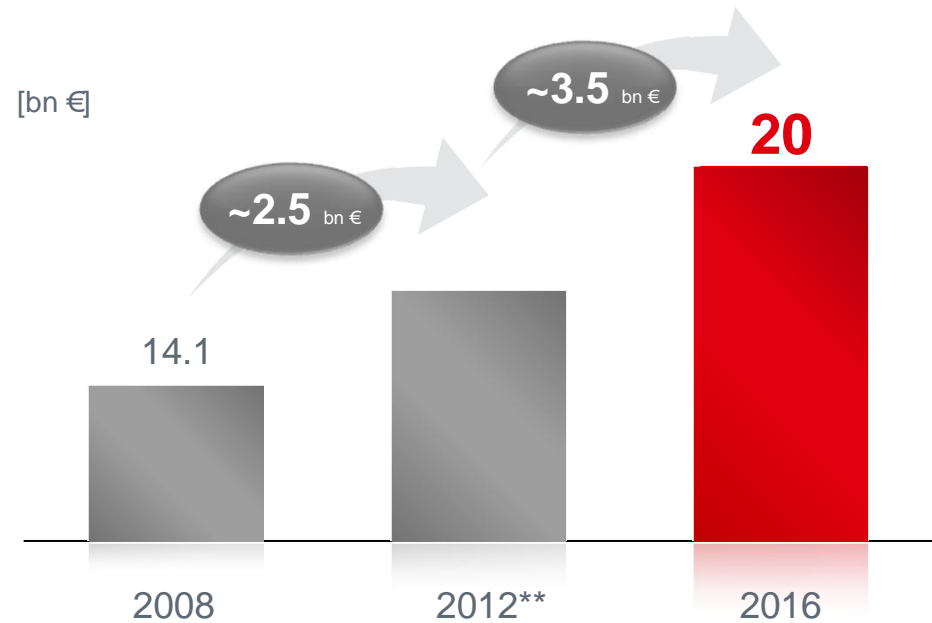
# Henkel strategy

We will **outperform** our competition  
as a **globalized** company  
with **simplified** operations  
and a highly **inspired** team!

# Henkel strategy



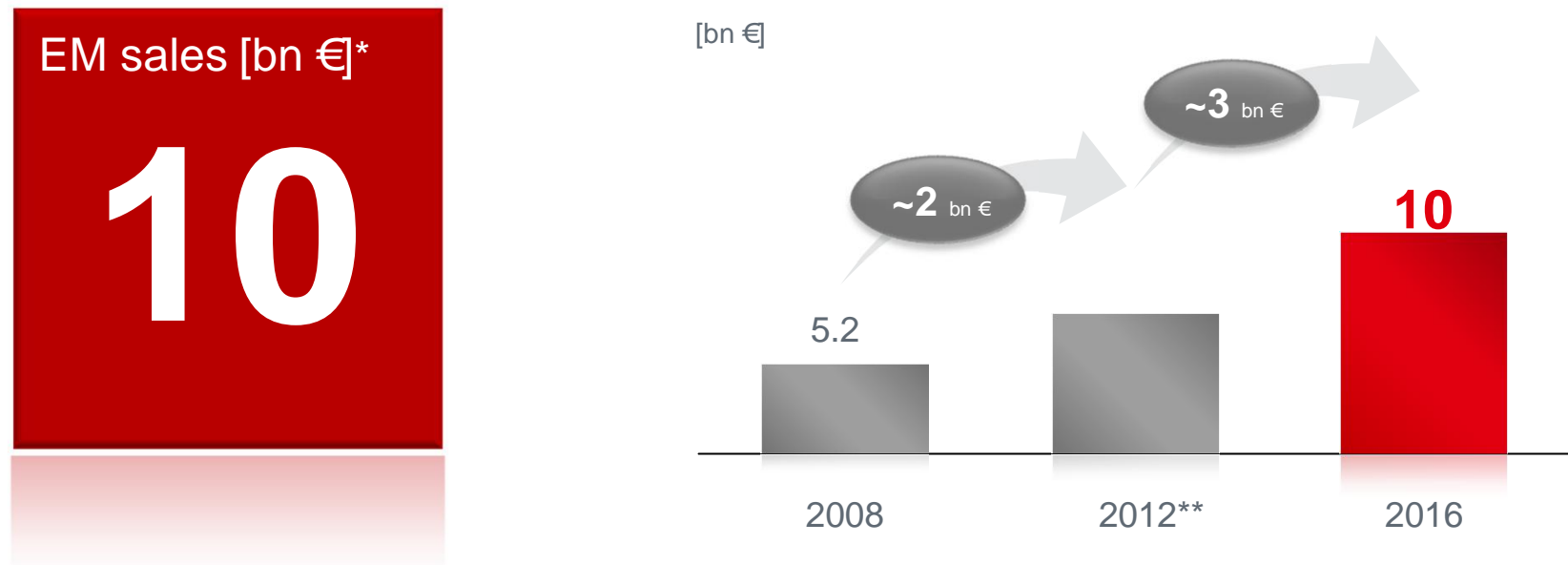
## Henkel's financial targets 2016



\* incl. continuous portfolio optimization (without major acquisitions & divestments)

\*\* based on consensus

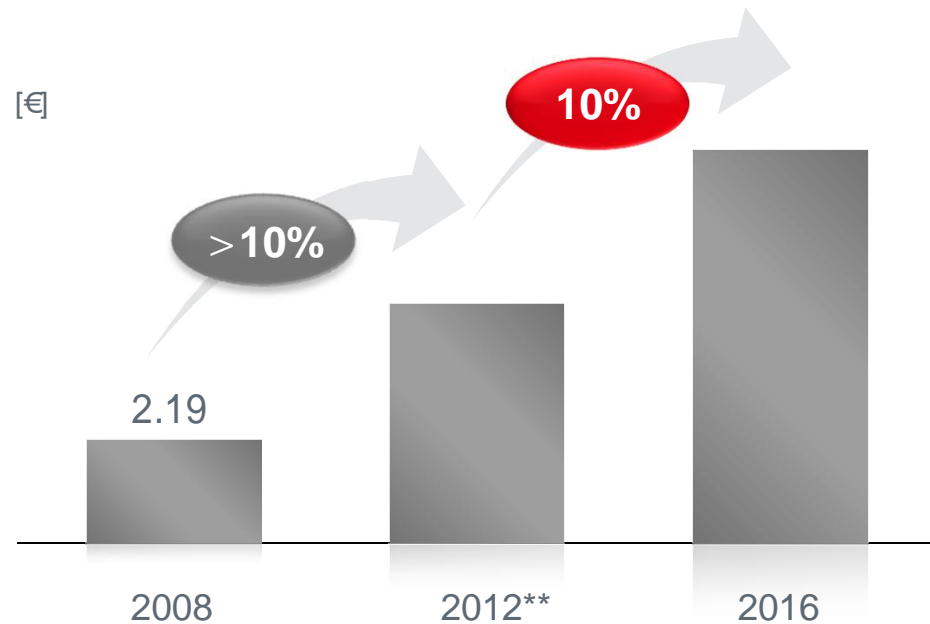
# Henkel's financial targets 2016



\* incl. continuous portfolio optimization (without major acquisitions & divestments)

\*\* based on consensus; sales share EM as of 1-9 2012

## Henkel's financial targets 2016



\* incl. continuous portfolio optimization (without major acquisitions & divestments); adjusted per preferred share

\*\* based on consensus

## Henkel's financial targets 2016



\* incl. continuous portfolio optimization (without major acquisitions & divestments); EPS: adjusted per preferred share

# Henkel strategy

- Active portfolio mgmt
- Leverage top brands
- Powerful innovations
- Focus on customers

**Outperform**

Globalize

**A global leader  
in brands  
and technologies**

Simplify

Inspire



# Outperform – Leverage potential in categories



## Core Categories



- Continuous investment in top positions

## Growth Categories



- Investments in category and new segment expansion

## Value Categories



- Leverage profit potential with adequate investment
- Divest/exit businesses (~500 m€)

## Active Portfolio Management

# Outperform – Build on strong base



## Brands



- Focused & balanced brand portfolio
- Strong growth of top brands
- Brand consolidation

## Innovations



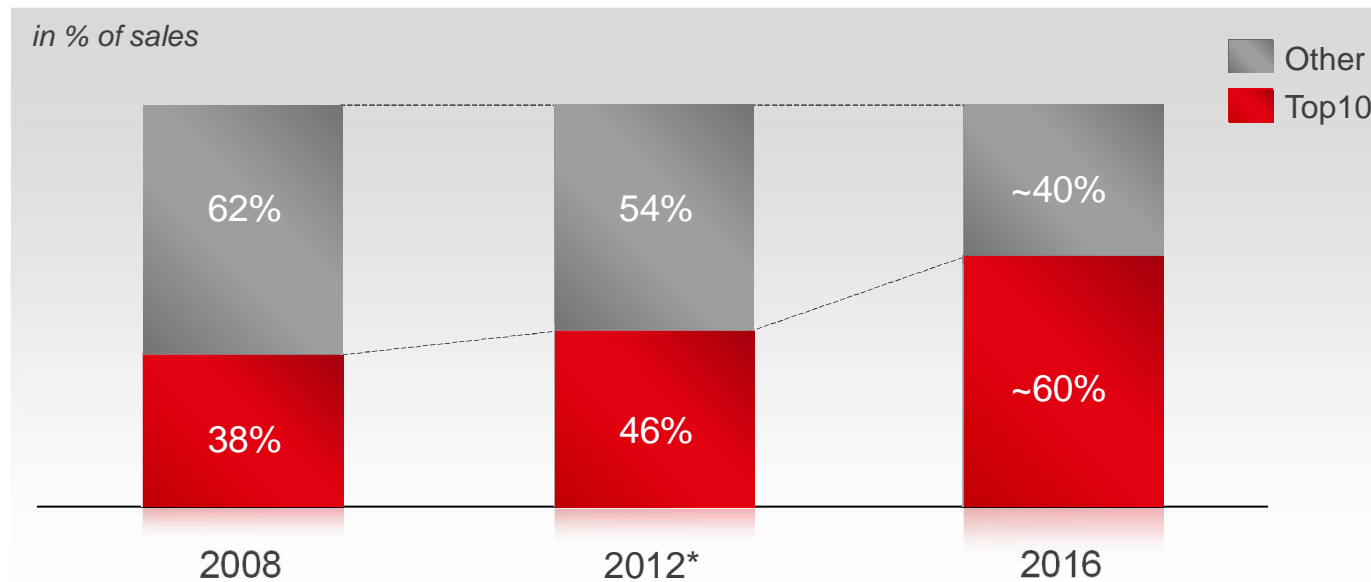
- Consistent innovation process
- Trend-based innovations

## Customers



- Customer relationship management
- Consumer proximity

## Accelerate sales growth with top brands



**Persil**

  
**Schwarzkopf**

**LOCTITE®**

- Strong growth driven by innovations & further roll-out of global brands
- Further portfolio alignment towards umbrella brands

\* estimate

## Consistently drive trend-based innovations



Performance &  
Sustainability

Accessible  
Luxury



Convenience &  
Superior Quality



## New R&D sites fostering consumer proximity



 Planned new site



- Significant expansion of R&D centers in all emerging regions
- Further leverage local competence

## Actively deploy customer focus



Laundry & Home Care  
Shopper  
Marketing



Beauty Care  
Meet-your-Consumer  
Center



Adhesive Technologies  
Technology &  
Design Partnerships



# Henkel strategy



# Globalize – Focus on regions with high potential



## Mature Markets: Leverage Strengths



- Continuation of profitable growth with strong cost focus

## Emerging Markets: Go Deep



- Acceleration of growth in existing Emerging Markets

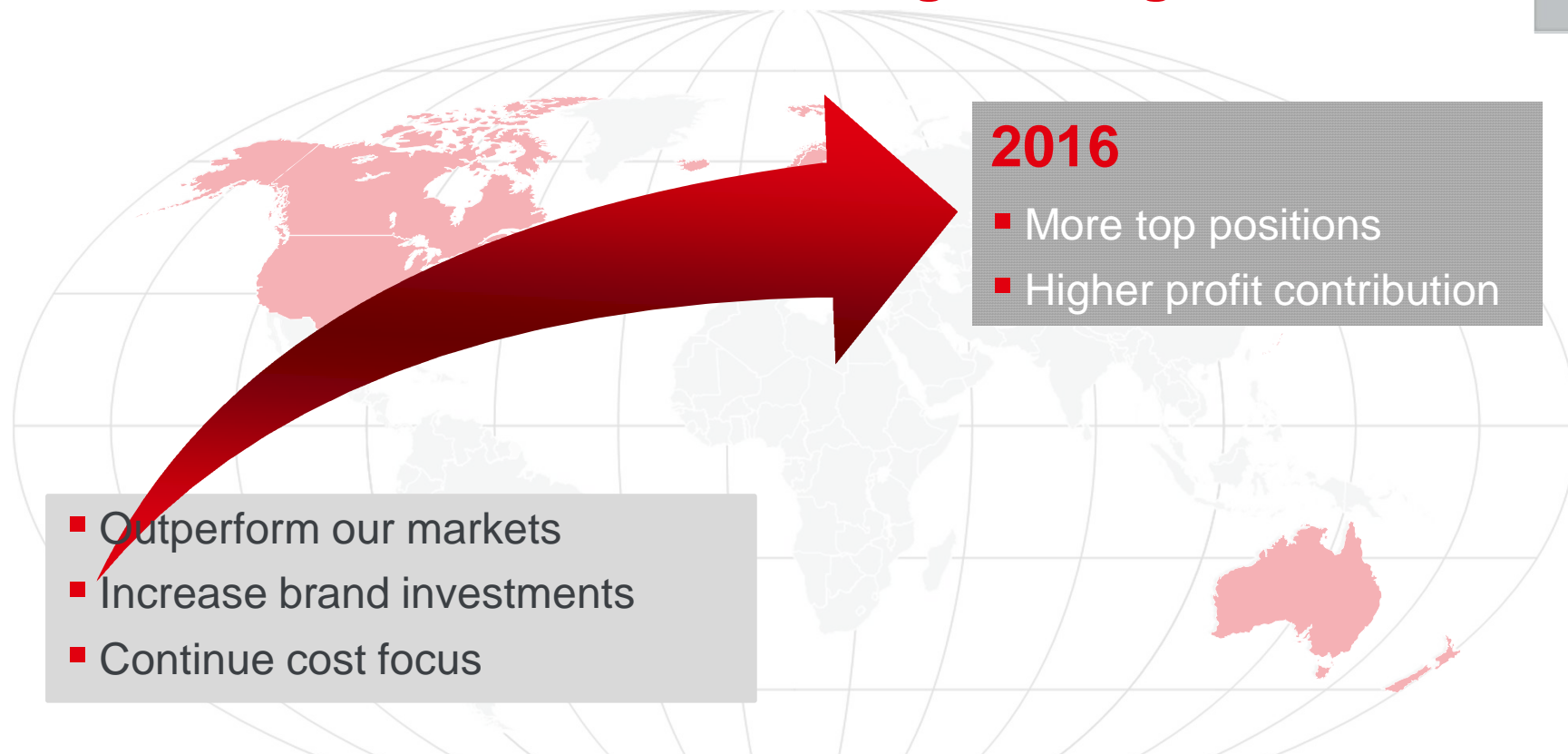
## Emerging Markets: Enter White Spots



- Enter country white spots in selective Emerging Markets



## Mature Markets – Further leverage strengths



## Emerging Markets – Accelerate growth



2016: Balanced EM footprint with 12 EM countries in Henkel Top 20

# Henkel strategy



# Acquisitions



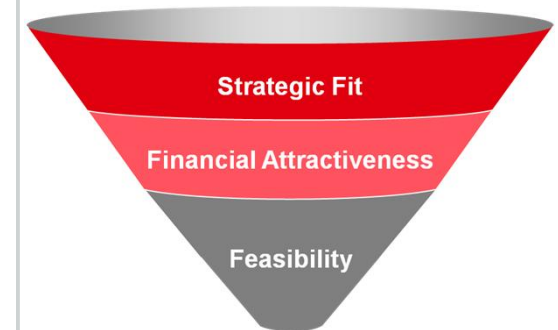
## In Line with Strategy



## Boosting Growth

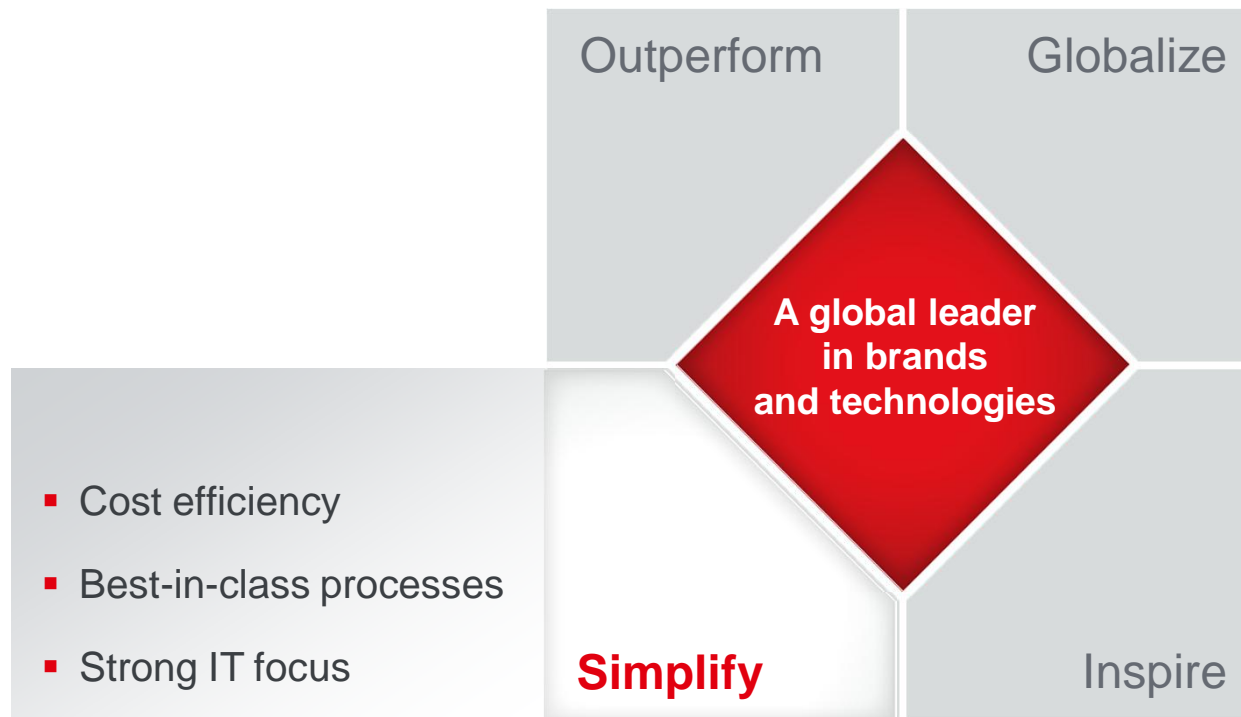


## Restrictive Selection



Active use of strong balance sheet

# Henkel strategy



# Simplify – Drive operational excellence



## Cost Efficiency



- Further improve admin costs
- Location footprint optimization
- Further reduce NWC

## Best-in-Class Processes



- Foster leading sourcing
- Continued expansion of shared services

## IT Focus



- IT as an enabler to drive performance
- Simplified & standardized global IT structure

## Further improve manufacturing footprint



From ~**175** in 2012

To ~**155** in 2016



Further consolidation both in Emerging & Mature Markets

# Foster leading sourcing



## Value creation

- Strengthen strategic relationships
- Focus on innovation leadership



## Leverage global sourcing

- Source via global hubs, focus on Emerging Markets
- Integrated worldwide network of suppliers



## Improve efficiency & effectiveness

- Expand e-sourcing to >10% of spend
- Reduce number of suppliers by ~40%

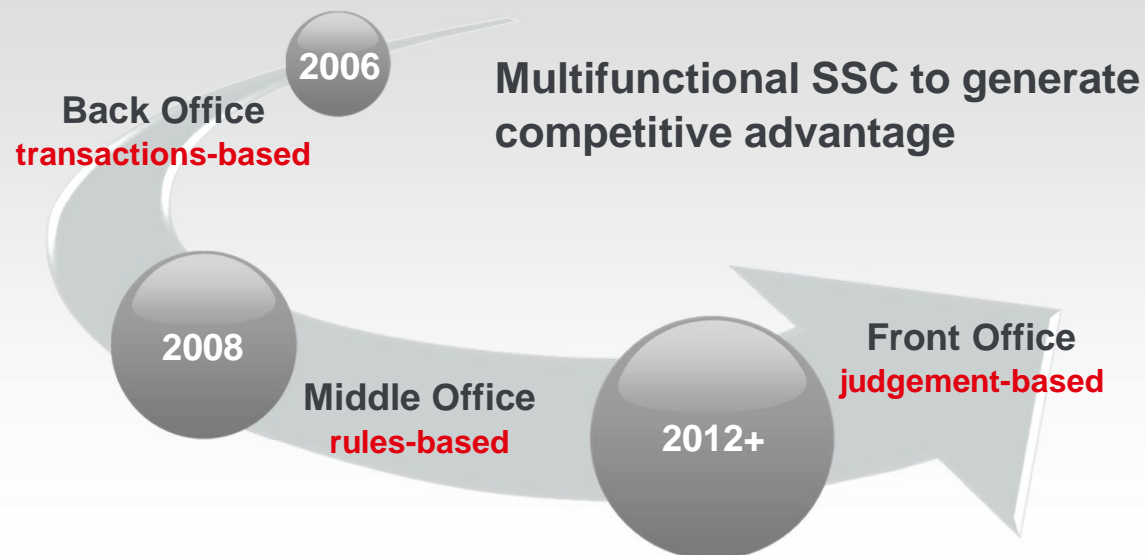




## Expand shared services: >3,000 employees



### Enhance and expand SSC capabilities



September 30, 2012: 1,300 employees in SSCs

# Shared services expansion



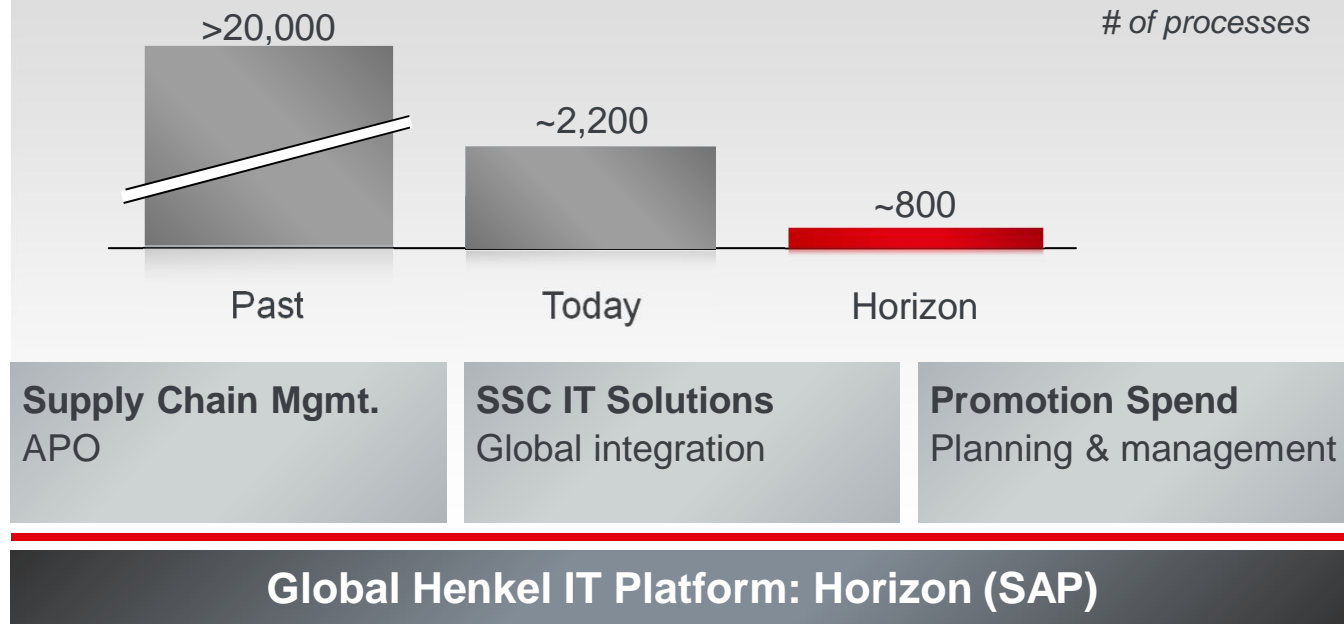
- Captive SSCs
- BPO: India since 09/12



- Newly established Business Process Outsourcing hub in Bangalore/India
- Hubs for Arabic speaking region & Greater China/N-E Asia

## Invest ~140m€ in IT until 2016

Reduce complexity & leverage one IT platform



# Henkel strategy



# Inspire – Strengthen our global team



## Leadership



- Set clear expectations
- Develop strong leaders

## Talent & Performance



- Attract the best talents
- Reward performance

## Diversity



- Leverage diversity as key success factor

# Executive Resource Program

- Virtual pool of ~100 talents on top mgmt. level
- Annual nomination by defined criteria
- Personal development plan, high-level training, selective initiatives, etc.
- Successful record of promotions and job rotations



HARVARD | BUSINESS | SCHOOL  
EXECUTIVE EDUCATION





# Diverse teams as key success factor

## Nationality/Culture



Foster internationality in our teams

## Gender



Increase female share by systematic career development

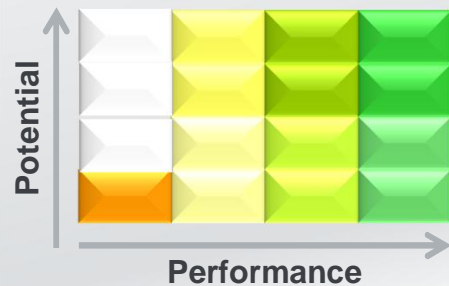
## Age/Seniority



Leverage experience of senior colleagues

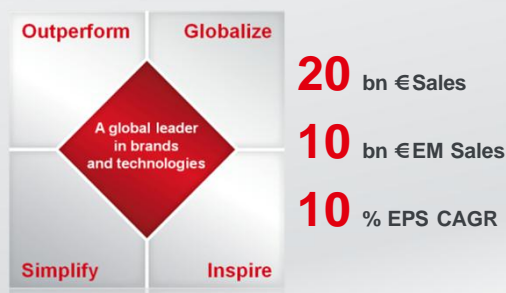


# Highly competitive reward system



## Short-term incentive implemented as of 2011:

- Coherence of success & incentive
- Target KPIs: OSG, Adj. EBIT %, NWC
- Linked to individual performance



## Aligned long-term incentive as of 2013:

- Linked to long-term financial targets
- Target KPI: EPS
- Ensures sustainable success & talent retention



# Henkel strategy



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## Henkel's financial targets 2016



\* incl. continuous portfolio optimization (without major acquisitions & divestments); EPS: adjusted per preferred share

## Key assumptions for 2016 targets

### External

- Avg. GDP growth:
  - Global: 3.3% p.a.
  - Western Europe: 1.8% p.a.
- USD at 1.30 USD/€
- Material price development: mid-single digit p.a.

### Internal

- Ongoing adaptation of our structures to the market
- Continuous portfolio management, including small & mid-sized acquisitions and divestments (divestment/exit: ~500 m€)

# Henkel's financial targets 2016

## Step-change in scale

Sales [bn €]\*

20

- Mid-single digit CAGR until 2016
- Outperform – Strong investments in categories
- Globalize – Focus on regions with high potential

\* incl. continuous portfolio optimization (without major acquisitions & divestments)

# Henkel's financial targets 2016

## Improved footprint

EM sales [bn €]\*

10

- High single-digit CAGR until 2016
- Go deep in existing countries
- Selectively enter country white spots

\* incl. continuous portfolio optimization (without major acquisitions & divestments)

# Henkel's financial targets 2016

## Excellence in value creation

EPS CAGR [%]\*

10

- Balanced value creation through top & bottom line growth
- Standardization & complexity reduction along entire value chain to drive profitability
- Continue strong cash orientation & financial discipline to maintain “A flat/A2”-rating

\* incl. continuous portfolio optimization (without major acquisitions & divestments); adjusted per preferred share

# Excellence in value creation

**Organic Performance**



**Acquisitions**



**Cash-Return Options**





# Excellence in value creation

## Organic Performance



- Invest in our businesses
- Enhance profitability
- Further reduce NWC

## Acquisitions



## Cash-Return Options



## Invest in our businesses

- Increase capex spend by >40%\* to ~2 bn €
- Strong focus on IT with investment of ~140 m€
- Structural shift to Emerging Markets
- Strengthen top brands & innovations via higher marketing investments

\* total 2013-2016 vs. 2009-2012



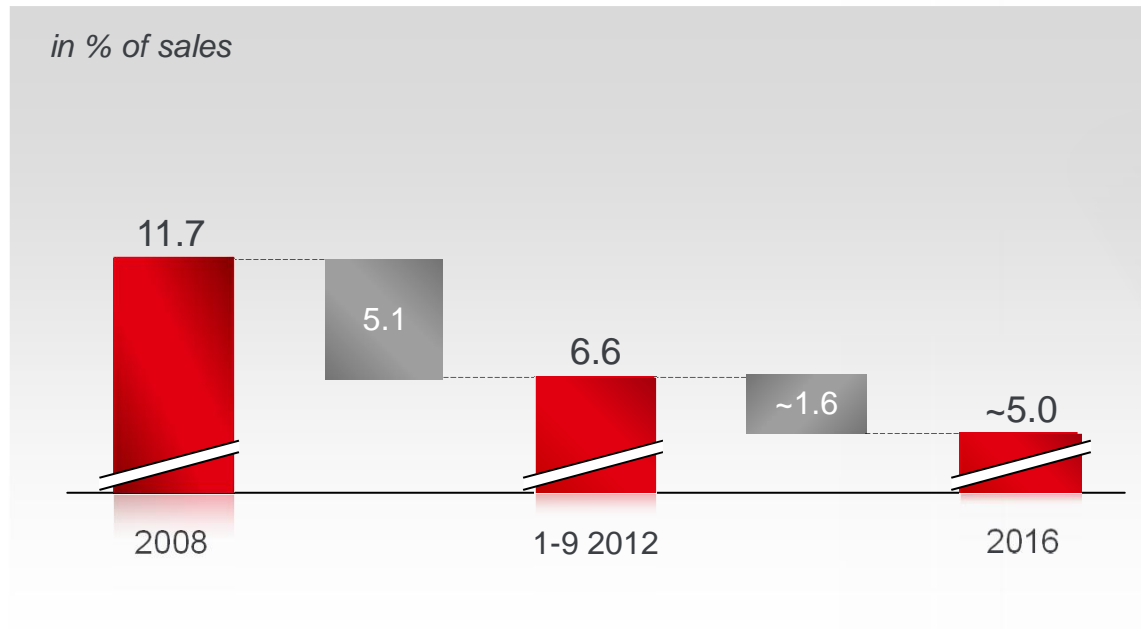
# Enhance profitability

## Future Levers

- Drive gross margin via innovation & pricing power
- Further optimize manufacturing footprint by ~20 locations
- Expand shared services to >3,000 employees
- Continue focus on leaner structures

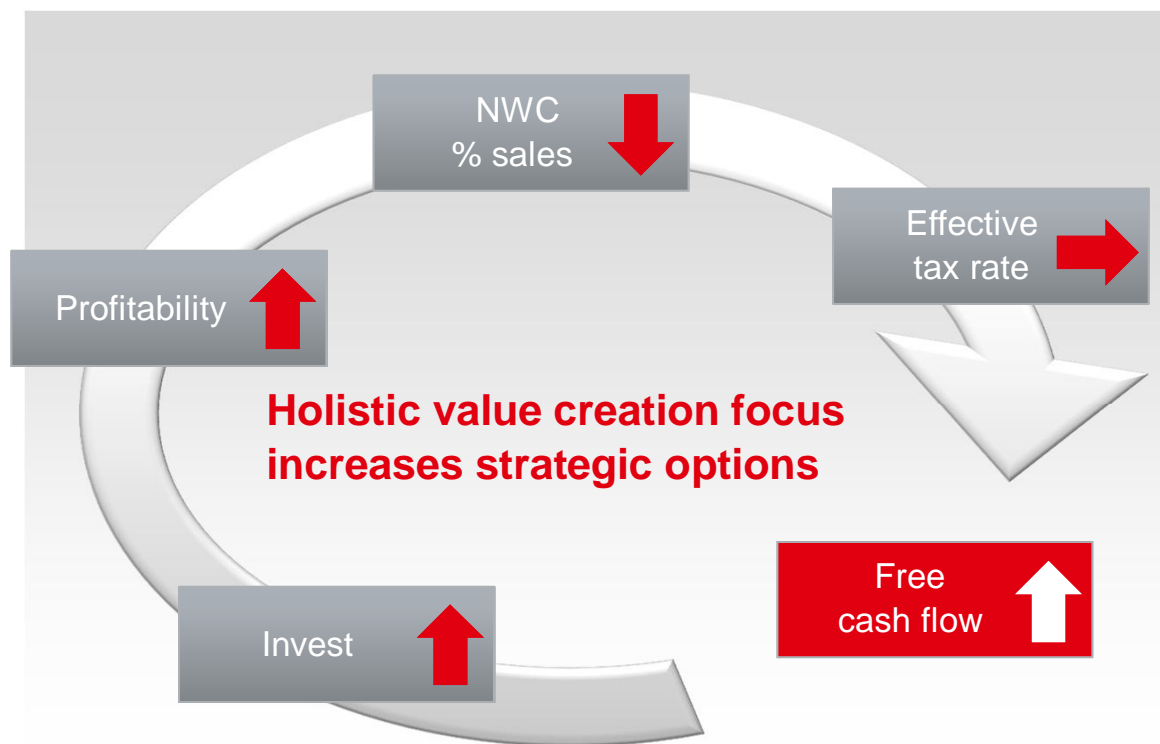


## Further reduce NWC



- Regional cross-divisional initiatives

## Organic performance resulting in higher cash flow



# Excellence in value creation

## Organic Performance



## Acquisitions



- Accelerate growth potential

## Cash-Return Options



# Acquisitions

## In Line with Strategy



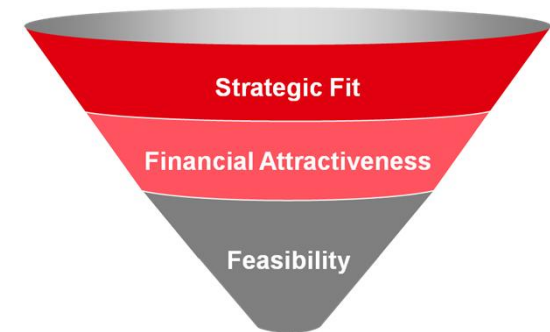
- **Integrated part** of our overall strategy
- **Clear prioritization** of categories and regions

## Boosting Growth



- Adhesives: **Technology leadership**
- Laundry & Home Care/Beauty Care: **Regions & categories**

## Restrictive Selection



- Restrictive **evaluation** and **selection process**
- **Centralized** decision and execution

# Excellence in value creation

## Organic Performance



## Acquisitions



## Cash-Return Options



- Share buy-back
- Dividend payout



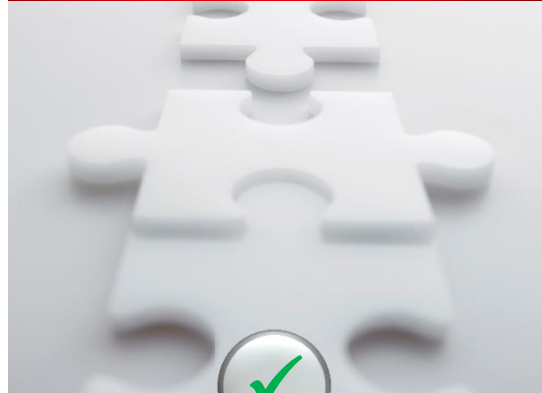
# Excellence in value creation

## Organic Performance



Priority: Grow our business

## Acquisitions



## Cash-Return Options



No change so far

# Excellence in volatile environment



Henkel well prepared to achieve next level of targets

# Agenda

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# Henkel strategy

We will **outperform** our competition  
as a **globalized** company  
with **simplified** operations  
and a highly **inspired** team!

## Strategy & financial targets 2016



**20** bn € Sales

**10** bn € EM Sales

**10** % EPS CAGR

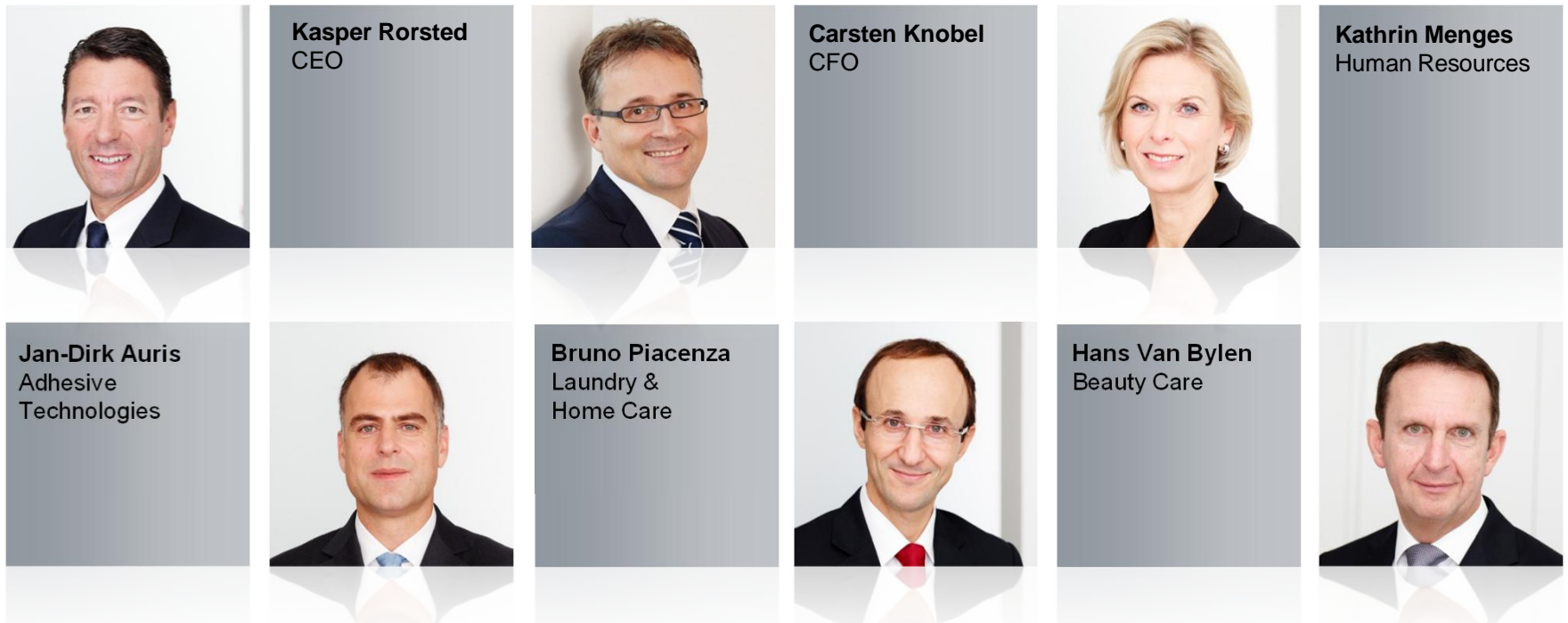


Excellence is our Passion

- Excellence is the result of always **striving to do better**
- We transform our plans into **concrete actions**
- We are **passionate** about achieving our targets



# Passionate to achieve our targets



## Henkel – Strategic framework

Vision	A global leader in brands and technologies				
Values	Customers	People	Financials	Sustainability	Family
Strategy	Outperform	Globalize	Simplify	Inspire	
Targets	20 bn € SALES	10 bn € EM SALES	10 % EPS CAGR		



**Thank You!**

