



News Release

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New strategic framework for Purposeful Growth

Henkel launches growth agenda

- **Setting future direction with new strategic framework**
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 - **Boost sustainability based on strong track record with ambitious targets**
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 - **Reshape operating models to be lean, fast and simple**
 - **Strengthen collaborative culture with empowered people**
- **Growth agenda underpinned by mid- to long-term financial ambition**
 - **Organic sales growth of 2 – 4%**
 - **Adjusted* earnings per preferred share growth in mid- to high single-digit percentage range, at constant exchange rates**
 - **Focus on free cash flow expansion**

Düsseldorf – At today’s presentation to investors, analysts and media, Henkel introduced its new strategic framework for the future.

“At Henkel, we are building on a strong foundation for the future: strong brands and innovative technologies, attractive businesses with many leading market positions around the world, a highly dedicated team as well as an excellent balance sheet with high cash generation capabilities. However, recently, our overall performance was below our ambitions and the expectations of our shareholders. Going forward, we know we can do better and we will do better,” said Carsten Knobel, Chief Executive Officer of Henkel.

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* Adjusted for one-time charges/gains and restructuring charges

“Based on a thorough analysis of our strengths and need for change, we have developed a new strategic framework for our company. This framework will help us to win the 20s for Henkel with a clear focus on purposeful growth. This means creating superior customer and consumer value to outgrow our markets, reinforcing our leadership in sustainability and enabling our employees to grow, professionally and personally, through their work at Henkel,” Knobel explained further.

“Going forward, our new strategic framework for purposeful growth will drive Henkel’s successful development in the future and will evolve over time. The main elements of this framework are a winning portfolio, competitive edge in the areas of innovation, sustainability and digital as well as future-ready operating models, underpinned by a strong foundation of a collaborative culture and empowered people. Our commitment to purposeful growth is also reflected in our mid- to long-term financial ambition,” summarized Carsten Knobel.

Rigorously shape a winning portfolio

A key element of the future direction is an **active portfolio management**. Henkel has identified brands and categories with a total sales volume of more than one billion euros, predominantly in its consumer businesses, of which around 50 percent are marked to be divested or discontinued by 2021. In addition, **M&A** will remain an integral part of Henkel’s strategy. The key criteria for acquisitions are availability, strategic fit and financial attractiveness of potential targets. Henkel will utilize its strong balance sheet to pursue high-impact acquisitions. While Henkel aims to expand its technology leadership in Adhesive Technologies with acquisitions, the company will focus in its consumer businesses on leading country and category positions as well as on “white spots” and new business models.

Competitive edge: innovation, sustainability, digital

In order to further strengthen its **competitive edge**, Henkel will focus on accelerating impactful **innovations**, boosting **sustainability** as a differentiating factor and transforming **digital** into a customer and consumer value creator.

Accelerate impactful innovations with increased investments

Henkel aims to accelerate impactful **innovations**, supported by increased investments. This will include an enhanced **innovation approach**, for example by expanding the use of digital tools and data for faster and better insights. While Henkel will also push decision-making across the organization closer to the market and leverage the potential of open innovation and idea crowdsourcing, Henkel will also scale its agile approaches and continue to invest in incubators and innovation centers. This shall enable the development of **impactful innovations** in all three business units. Innovations and brands will be supported with consistent investments in core categories and regions. Therefore, Henkel is committed to further **step up growth investments** in advertising, digital and IT by 350 million euros compared to the year 2018.

Boost sustainability based on strong track record with ambitious targets

Building on its strong track record and further progress towards its targets for 2020 and beyond, Henkel aims to strengthen **sustainability** as a competitive differentiator. The company has defined the next milestones for three key topics which are highly relevant for consumers, customers, business partners and society at large: On the way to becoming **climate-positive** by 2040, the company plans to reduce the carbon footprint of its production by 65 percent and save 100 million tons CO₂ together with its consumers, customers and suppliers by 2025. Working towards a **circular economy** and zero plastic waste in the environment, Henkel has defined ambitious packaging targets for 2025: 100 percent of Henkel's packaging will be recyclable or reusable* and the company aims to reduce fossil-based virgin plastics in its consumer product packaging by 50 percent.

Henkel also wants to enhance its positive social impact on communities – through 100 percent responsible sourcing, by leveraging its more than 50,000 engaged employees and by helping to improve 20 million lives globally by 2025.

Sustainability will be firmly **anchored in all activities**. By establishing sustainability as a central pillar in their innovation strategies, the consumer businesses Beauty Care and Laundry & Home Care will advance their product portfolios with a particular focus on sustainable packaging solutions and the further roll-out of brands with purpose. Adhesive Technologies will continue to leverage its potential through products and technologies that set industry standards.

Transform Digital into a customer and consumer value creator

Going forward, Henkel aims to transform **Digital** into a customer and consumer value creator. Henkel wants to **boost 1:1 engagement and digital sales in the consumer businesses** by expanding existing and establishing new digital platforms for direct consumer relationships. The **end-to-end customer-centric digitalization in the industrial businesses** will be driven to generate new business and to further digitalize customer experience across all touchpoints. In addition, Henkel will further pursue its end-to-end data integration. This shall enable the company, for instance, to create AI-driven innovative and customized solutions. Henkel will also invest in digital talent, especially data scientists and engineers with future capabilities and deep technological industry expertise. And finally, Henkel wants to **enable digital business focus and efficiency**. Henkel will completely reorganize its digital setup, establishing a new digital structure called “Digital Business.” Henkel has established a new CDIO (Chief Digital and Information Officer) position at the end of last year. Digital and IT teams across Henkel will now be combined under the leadership of the CDIO who will directly report to the CEO.

Henkel’s new “Digital Business” is built on two pillars: first, “Business Technology,” which is a vehicle to drive efficiency across the value chain through continuously optimizing business processes and IT systems. The second pillar is “Henkel Digital,”

a new dedicated unit for market-oriented incubation and innovation. Under this roof, Henkel is planning to establish digital innovation hubs in Berlin, the Silicon Valley and Asia.

Reshape operating models to be lean, fast and simple

Henkel is reshaping its operating models across the entire company to be lean, fast and simple and to continuously improve the competitiveness of its processes and structures. The company aspires to intensify its efforts to enable new business models, to **step up customer & consumer proximity** with faster decision-making and continuously **increase efficiency**.

Strengthen collaborative culture with empowered people

A strong culture, shared values and a clear framework for collaborating as one team are key for Henkel's future success. As a first step, Henkel introduced new Leadership Commitments to all employees globally in 2019. Henkel plans to accelerate this cultural journey with these commitments at the core and will foster a **culture of collaboration and empowerment, upskill its employees on future capabilities** and **enable its people to grow** and develop.

Mid- to long-term financial ambition

"Our new strategic framework for purposeful growth is also reflected in our mid- to long-term financial ambition: organic sales growth of between 2 and 4 percent, growth of adjusted* earnings per preferred share in the mid- to high single-digit percentage range at constant exchange rates and our continued focus on free cash flow expansion," said Carsten Knobel.

"In summary, we are convinced that today, we have laid the foundation for Henkel's future successful development. Now, we will focus on implementing these measures, driving change and further evolving our growth agenda," said Carsten Knobel.

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 2019, Henkel reported sales of more than 20 billion euros and adjusted operating profit of more than 3.2 billion euros. Henkel employs more than 52,000 people globally – a passionate and highly diverse team, united by a strong company culture, a common purpose to create sustainable value, 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.

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