

HENKEL H1 2020

Carsten Knobel, Marco Swoboda | August 6, 2020



▶ DISCLAIMER

This presentation 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.

This document has been issued for information purposes only and is not intended to constitute an investment advice or an offer to sell, or a solicitation of an offer to buy, any securities.

AGENDA

01 **Key Developments H1 2020**

02 Purposeful Growth Agenda

03 Financials H1 2020

04 Closing

▶ KEY DEVELOPMENTS H1 2020

SALES AND EARNINGS PERFORMANCE IMPACTED BY COVID-19 PANDEMIC

Nominal Sales

€ 9.5 bn
-6.0%

Organic Sales Growth

-5.2%

Adjusted EBIT Margin

12.6%
-370bps

Adjusted EPS¹

€ 1.96
-28.2%²

- Adhesive Technologies impacted by headwinds from significantly reduced industrial demand
- Beauty Care Retail almost stable in topline, Hair Professional strongly affected
- Laundry & Home Care delivering very strong broad-based sales growth, but North America below expectations

¹ Per preferred share ² At constant exchange rates

▶ KEY DEVELOPMENTS H1 2020

STRONG FOUNDATION TO EMERGE STRONGER FROM THE CRISIS

Strong Foundation



Effective COVID Response



Strategic Framework



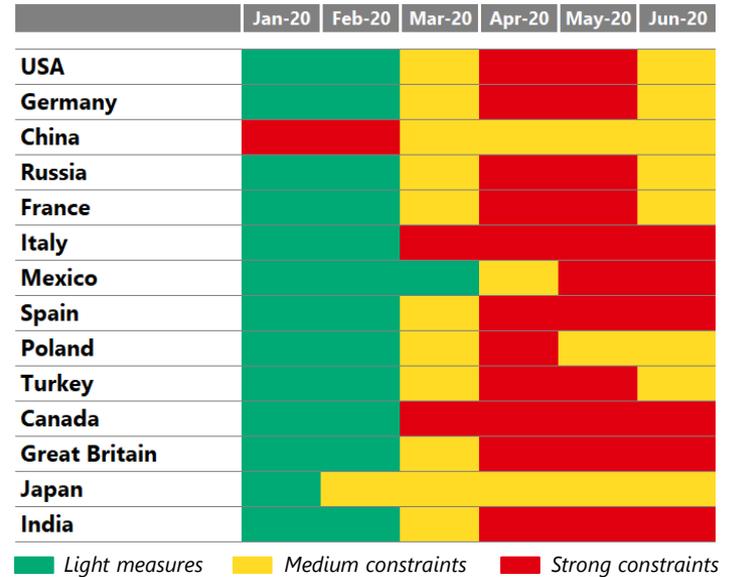
- Strong balance sheet with very strong free cash flow and low debt levels
- Responding decisively to COVID-19 pandemic
- Purposeful growth agenda in full execution
- Full year performance still not predictable with sufficient reliability

▶ GLOBAL REACH OF COVID-19 PANDEMIC

IMPACTING OUR BUSINESS ENVIRONMENT GLOBALLY

- COVID-19 substantially affecting economies and societies globally
- All regions with few country exceptions strongly affected in terms of GDP reduction and private consumption in Q2
- IPX mid teens down in Q2 after already negative Q1; more pronounced for automotive build-rates
- Changing consumer behavior amid COVID-19 outbreak and lockdowns

GOVERNMENTAL LOCKDOWN HEATMAP



➤ **COVID headwinds for Henkel peaked in April/May**

▶ COVID-19 IMPACTS ON OUR BUSINESSES IN Q2

BROAD-BASED PORTFOLIO MITIGATING HEADWINDS

- Significant drop in **Automotive** production
- Broad-based decline in **Industrials**
- **Construction** turning negative especially in Eastern Europe
- **Hair Professional** significantly impacted by salon closures
- **Styling** category affected by lockdown and social distancing

- **Laundry Care** stronger in Heavy Duty Detergents, weaker in Light Duty Detergents
- **Adhesives for consumer goods** largely unaffected, in parts with higher demand

- **Soaps** boosted by increased hygiene awareness
- **At-home coloration** experiencing strong demand uplift
- **Auto dishwashing** up as people are cooking more at home
- Higher usage of **surface cleaners**
- Accelerated channel shift to **e-commerce**
- **Capturing emerging opportunities** from strong **hygiene** demand

▶ RESPONDING DECISIVELY TO COVID-19 PANDEMIC

STRONG COMMITMENT TO OUR COMPANY VALUES

Ensuring **employee** safety,
supplying **customers** and
supporting **communities**

- Thorough precautionary measures at our >200 office locations and >180 production sites globally
- Seamless and effective switch to home office leveraging digital workplace – gradual return onsite
- Supporting 470 COVID-19 related projects in 43 countries as part of comprehensive global solidarity program
- From 90% production sites running end of March back to 100% by mid-June, safeguarding supply chain stability
- ~€ 40m special cost incurred, e.g. for protective equipment



AGENDA

- 01** Key Developments H1 2020
- 02** **Purposeful Growth Agenda**

- 03** Financials H1 2020
- 04** Closing

PURPOSEFUL GROWTH

Winning
Portfolio

Competitive Edge

Future-ready
Operating
Model

Innovation

Sustainability

Digitalization

Collaborative Culture & Empowered People

FIRST SET OF ACTIONS

Shape portfolio: >€ 1 bn sales identified, ~50% marked for divest / exit by 2021

Step up investments by € 350 m vs 2018 to succeed with impactful innovations

Reduce CO₂ by 65% and move to 100% recyclable / reusable plastics by 2025

Implement new “Digital Business” set-up in 2020

Complete execution of operating models in all businesses

Finalize roll-out of Leadership Commitments

Rigorously shaping a winning portfolio.

Active portfolio management

- Up to now ~€ 80 m sales divested/discontinued, primarily in Adhesive Technologies
- Commitment to complete announced portfolio measures by end of 2021

M&A integral part of strategy

- 2 acquisitions signed
- Investment of ~€ 0.5 bn utilizing our strong balance sheet



Majority stake in D2C business

- Expanding digital D2C platforms with three fast growing premium Beauty brands
- Adding strong digital capabilities and unique brand building expertise

Value enhancing
acquisitions.



Value enhancing acquisitions.

Strengthening Adhesive Technologies in NA

- Acquiring highly complementary consumer sealants business marketed under the GE brand¹
- Excellent distribution via home-improvement centers, major retailers and hardware stores and professional outlets



¹ Business to be acquired from Momentive Performance Materials. GE is a trademark of General Electric Company, used under license.

- Co-creating **high-impact water proofing solution** for smartphones
- Expanding “**Better for You**” **color portfolio**, accelerated share gains in US
- **4in1 DISCS with global market share gains** of ~500bps y-o-y in Caps segment



Accelerate with impactful innovations...



Best 4in1 Power

...addressing increased hygiene and cleaning consumer needs...

- **Fast-track hygiene innovations** across consumer portfolio
- **Step-up in communication** for hygiene products and consumer education
- Dial with **>25% organic sales growth** in H1 and **~10 m new household buyers**



- **Step-up of growth investments in marketing, digital and IT** by high double-digit € million amount vs. 2019
- **Committed to increasing growth investments** in full year 2020 in line with strategy, flexibly adjusting to market realities

...supported by
increased
investments.



Caring for hands for over 70 years

Boosting **sustainability** into a true differentiator.

- Advancing with **new plastics strategy** in Beauty Care and Laundry & Home Care: less – recycled – zero
- Henkel globally 1st issuer of **Plastic Waste Reduction Bond**



Boosting **sustainability** into a true differentiator.



- **LOCTITE LIOFOL** certified recyclable coating enables replacement of plastic with paper
- **BERGQUIST** thermal management solution enhances efficiency of electric vehicle batteries
- **BONDERITE** aluminum anodizing solution doubles life span of sealed parts, reducing CO₂ footprint



Transform **digital** into a customer and consumer value creator.

- **Strong increase in digital sales** by >60% percent in Beauty Care and Laundry & Home Care combined
- **Digital share in Group sales** approaching mid-teens



Transform **digital**
into a customer
and consumer
value creator.

- New **Digital Business** set-up implemented under Henkel 'dx'
- **Joint forces** and **unity of effort** approach, combining our businesses, functions and digital





Reshape
operating models
to be lean, fast and
simple.

- Operating model changes completed in **Adhesive Technologies**
- **Laundry & Home Care** and **Beauty Care** well on track
- **Purchasing** reorganized to enable stronger business focus and proximity

Accelerate **cultural journey** with Leadership Commitments at the core.



- Fostering **collaborative culture** and **sense of belonging** during COVID-19 pandemic
- **Transparent and frequent communication** with global teams
- **Leadership Commitments** rolled out to > 50,000 employees, engaging via ~2,600 activation sessions

WRAP-UP

Shape portfolio: ~€ 80m sales divested/discontinued so far, 2 acquisitions signed

Growth investments significantly up, supporting impactful innovations

Advancing sustainability initiatives, globally 1st plastic waste reduction bond issued

Digital sales up by >60% in consumer businesses, new “Digital Business” set-up live

Operating model changes completed or well on track

Roll-out of Leadership Commitments finalized

WIN THE 20s THROUGH
PURPOSEFUL GROWTH

AGENDA

01 Key Developments H1 2020

02 Purposeful Growth Agenda

03 **Financials H1 2020**

04 Closing

▶ SALES DEVELOPMENT

H1 2020

OSG

-5.2%

Price	Volume
-0.8%	-4.4%

M&A

+0.3%

FX

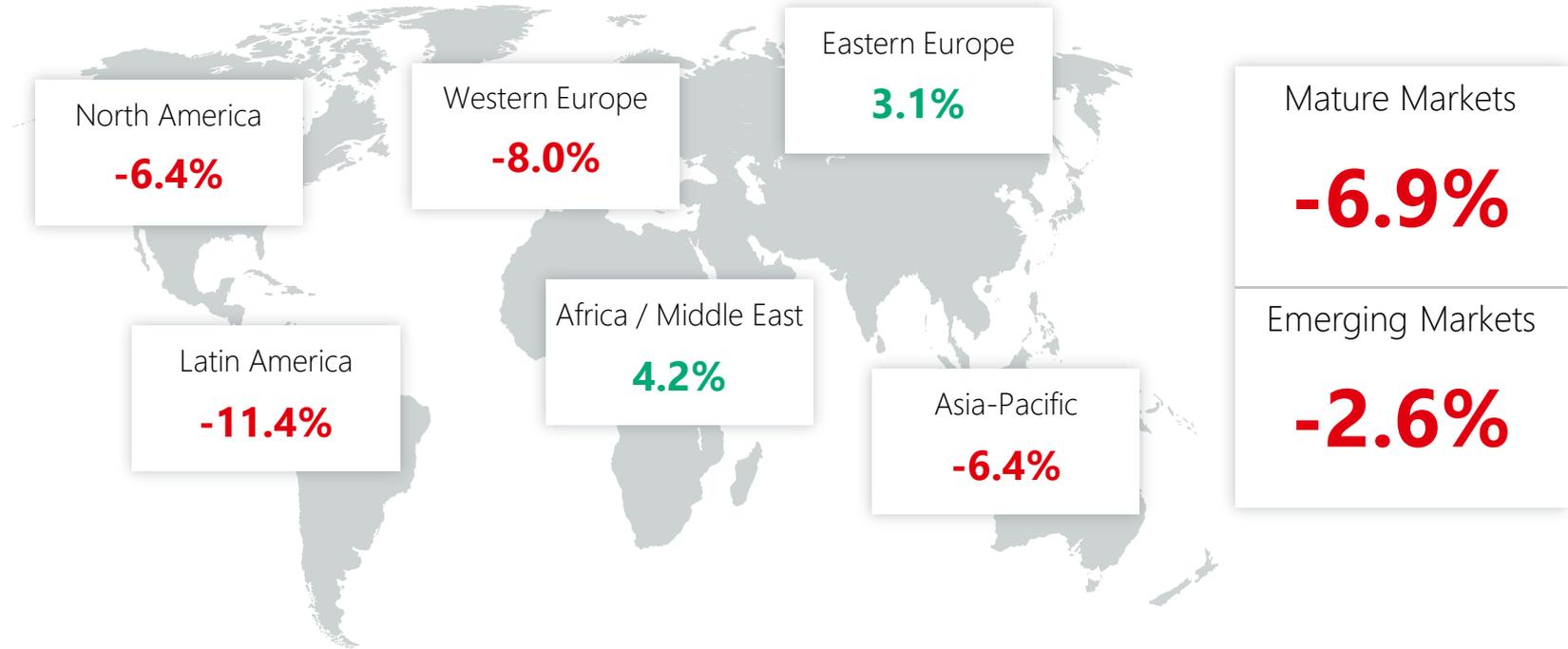
-1.1%

Nominal

-6.0%

REGIONAL DEVELOPMENTS

ORGANIC SALES DEVELOPMENT H1 2020





ORGANIC SALES DEVELOPMENT

H1 & Q2 2020

	H1	Q2
Group	-5.2%	-9.4%
Adhesive Technologies	-10.9%	-17.4%
Beauty Care	-8.5%	-12.8%
Laundry & Home Care	+4.9%	+4.4%

▶ STRONG CRISIS MANAGEMENT & FINANCIAL FLEXIBILITY

Concise Operational Measures

- Strong targeted management of local crisis situations
- High agility in supply chain and production, most plants back in operation
- Realizing market opportunities in hygiene addressing consumer needs

Focus on Cost and Cash Management

- Short-term savings realized
- Strong focus on net working capital management and targeted capex

Strong Balance Sheet

- Continued low net debt level of € -2.0 bn with sufficient room to maneuver
- Strong single A-rating reconfirmed

High Financial Flexibility

- Successful bond placements at attractive conditions including innovative sustainable financing via plastic waste reduction bond
- Cash position of € 2 bn, undrawn credit lines / CP facilities of ~€ 2 bn, further headroom in Debt Issuance Program and balanced bond maturity profile



ADHESIVE TECHNOLOGIES

ORGANIC SALES GROWTH H1: -10.9%

- Overall decline, with negative Q1 followed by substantially lower Q2
- Automotive & Metals business area with double-digit decline due to shut-down of many customers' production sites globally
- Packaging & Consumer Goods business area moderately affected; Consumer Goods positive
- Electronics & Industrials business area double-digit negative due to Industrials; Electronics above prior year
- Craftsmen, Construction & Professional business area below prior year; Construction in Q2 negative after strong Q1

▶ ADHESIVE TECHNOLOGIES

H1 2020

Organic Sales Growth

-10.9%

Price	Volume
+0.2%	-11.1%

Adjusted EBIT Margin

13.1%

Change y-o-y
-500 bps

Net Working Capital

14.4%

Change y-o-y
+80 bps



BEAUTY CARE

ORGANIC SALES GROWTH H1: -8.5%

- Hair Professional significantly declining due to salon closures, on a recovery trend since May
- Retail almost flat despite headwinds from COVID-19, taking opportunity in Body and Color
- Retail winning market shares in North America, Eastern Europe and Middle East / Africa
- Nature brands contributing with mid double-digit growth
- Strong boost in online and D2C sales with new initiatives across Retail and Professional



BEAUTY CARE

H1 2020

Organic Sales Growth

-8.5%

Price	Volume
-0.7%	-7.8%

Adjusted EBIT Margin

9.4%

Change y-o-y
-410bps

Net Working Capital

3.9%

Change y-o-y
-210bps



LAUNDRY & HOME CARE

ORGANIC SALES GROWTH H1: +4.9%

- Home Care showing double-digit growth with core brands Pril, Bref & Somat growing double-digit
- Good growth in Laundry Care driven by very strong performance of Heavy-Duty Detergents
- #1 brand Persil growing double-digit, supported by innovative 4in1 DISCS expanding global market share
- Growth in all regions, double-digit in Middle East / Africa, Eastern Europe and Asia Pacific regions
- Market share loss in North America despite positive organic sales growth
- Very strong performance in eCommerce with mid double-digit growth

▶ LAUNDRY & HOME CARE

H1 2020

Organic Sales Growth

4.9%

Price	Volume
-2.2%	+7.1%

Adjusted EBIT Margin

15.3%

Change y-o-y
-160bps

Net Working Capital

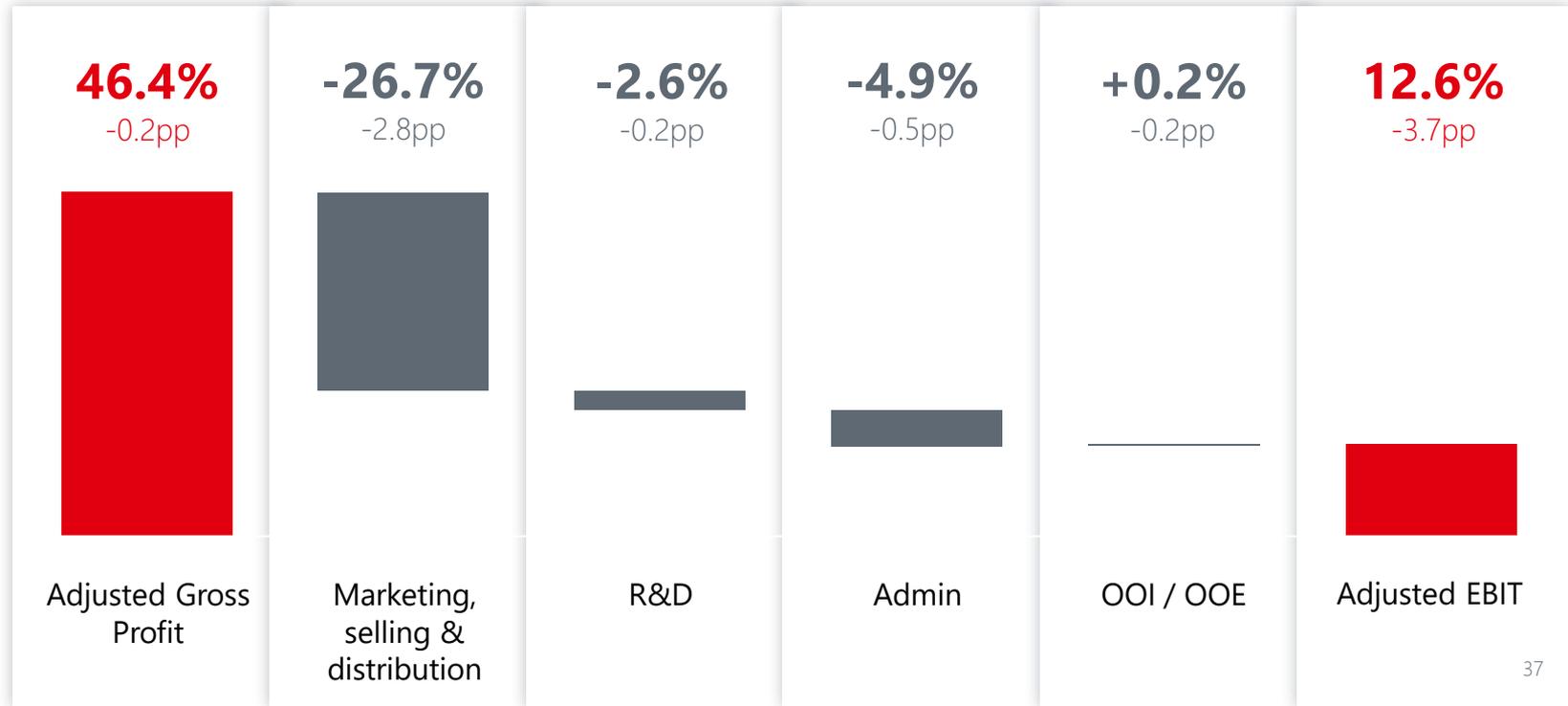
-6.2%

Change y-o-y
-350bps

▶ ADJUSTED GROSS PROFIT TO ADJUSTED EBIT

H1 2020

Impact on Adjusted EBIT Margin in pp vs. PY, in % of sales



▶ RECONCILIATION REPORTED TO ADJUSTED EBIT

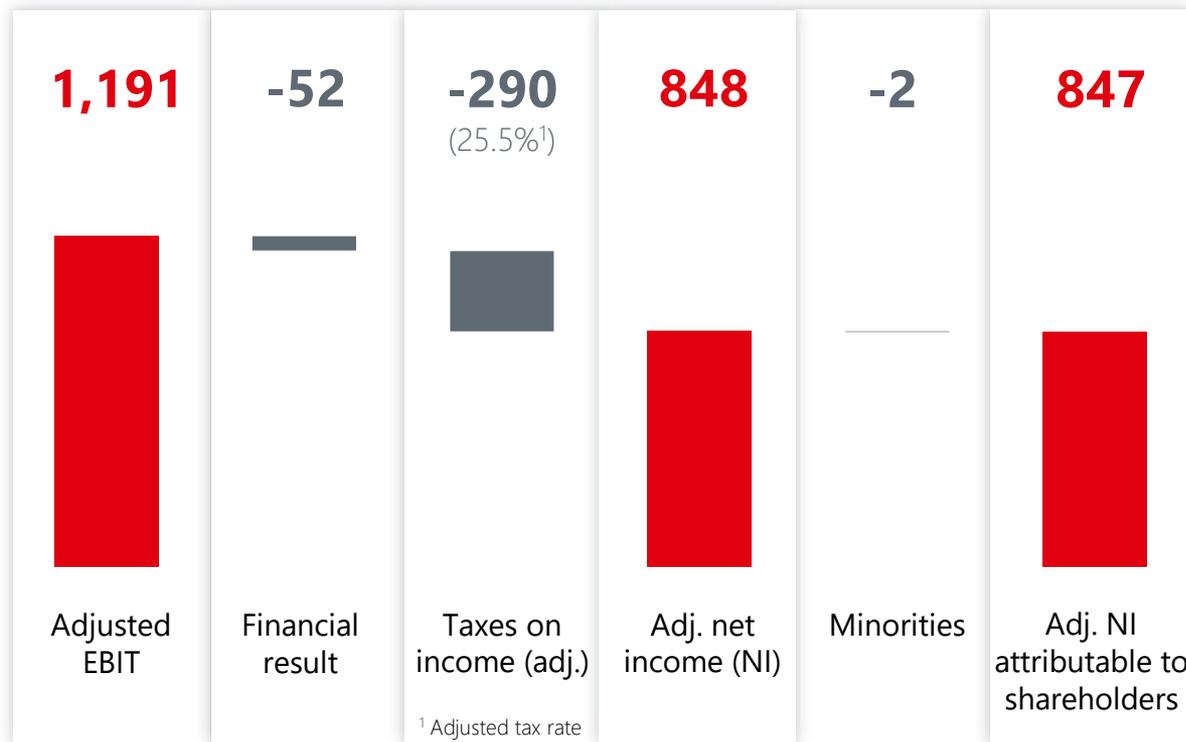
H1 2020

in € m

Reported EBIT	One-time gains	One-time charges	Restructuring	Adjusted EBIT
1,094	-3	+21	+78	1,191

▶ ADJUSTED EPS DOUBLE-DIGIT % BELOW PRIOR YEAR H1 2020

in € m



Adj. EPS per
pref. share
€ 1.96
-29.2% y-o-y
-28.2% at constant currencies

▶ CASH FLOW PERFORMANCE & FINANCIAL POSITION

H1 2020

Net Working Capital

4.4%

Change y-o-y
-230bps

Free Cash Flow

€ 938 m

Change y-o-y
€ -52 m

Net Financial Position

€ -1,951 m

Change vs. year-end
€ +96 m

➤ **Dividend of € 1.85 per preferred share, ~ € 800 m paid out to shareholders**



FULL YEAR 2020 OUTLOOK

UNCERTAINTY REMAINS HIGH AMID COVID-19 PANDEMIC

- Forecast for fiscal 2020 published in Annual Report 2019 no longer upheld
- Henkel is responding to the COVID-19 pandemic with specific measures, but cannot predict with sufficient reliability over what period and to what extent it will face further impacts
- New forecast to be published once sufficiently reliable evaluation of future business performance in 2020 is possible

AGENDA

01 Key Developments H1 2020

02 Purposeful Growth Agenda

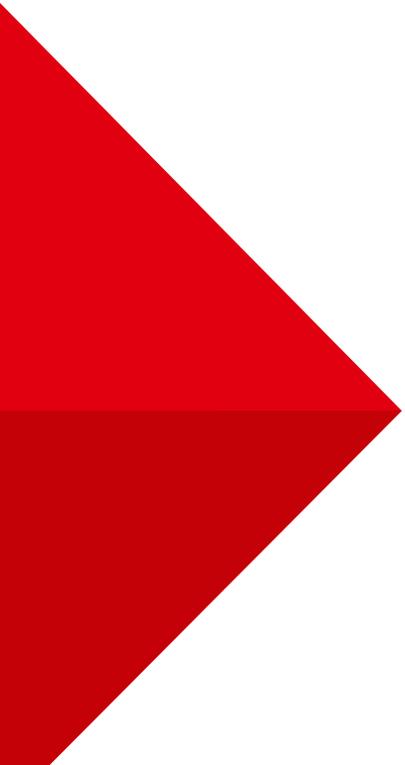
03 Financials H1 2020

04 **Closing**

► BUSINESS PRIORITIES

- Protection and support of employees, customers and business partners first priority
- Foster close collaboration with customers and business partners in these challenging times
- Capture emerging opportunities
- Leverage and further expand digital business
- Adequately manage cost and keep strong cash focus
- Continue execution of purposeful growth agenda



A large red triangle graphic on the left side of the slide, pointing to the right.

Q & A

▶ CLOSING REMARKS

- Henkel with robust performance in H1 in unprecedented market environment
- Supporting employees and business partners during pandemic, ensuring business continuity and capturing emerging opportunities
- Strong commitment to purposeful growth agenda, good progress executing first set of actions
- Strong balance sheet and financial flexibility
- New outlook will be published once sufficiently reliable evaluation of future performance is possible



▶ UPCOMING EVENTS

November 10, 2020

Q3 2020 Release

March 4, 2021

Q4 & FY 2020 Release

April 16, 2021

Annual General Meeting

THANK YOU

