



# Henkel

17<sup>th</sup> German Corporate Conference  
Frankfurt, January 15, 2018

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# | Agenda

- 1. Strong foundation, consistent performance**
2. Compelling Ambition 2020+ and clear strategy going forward
3. Consistent Capital allocation supporting our ambition
4. Strong financial performance in 1-9/2017

# Henkel: Three Areas of Competence

## A Global Leader in Brands and Technologies

### Industrial Business

#### Adhesive Technologies



**LOCTITE TEROSON**  
**TECHNOMELT**

### Consumer Business

#### Beauty Care



Schwarzkopf  
**syoss**



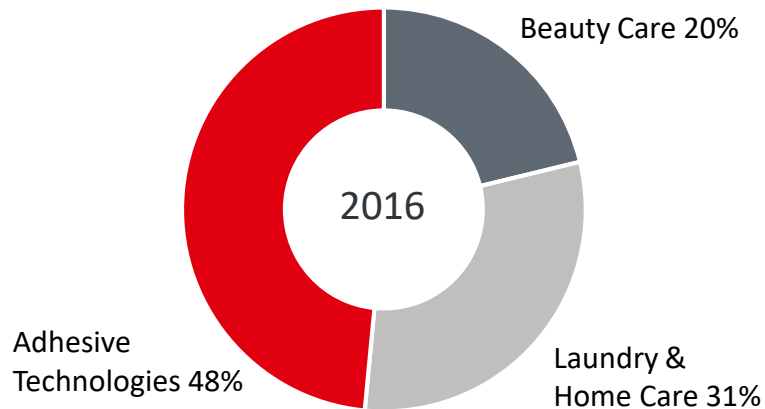
#### Laundry & Home Care



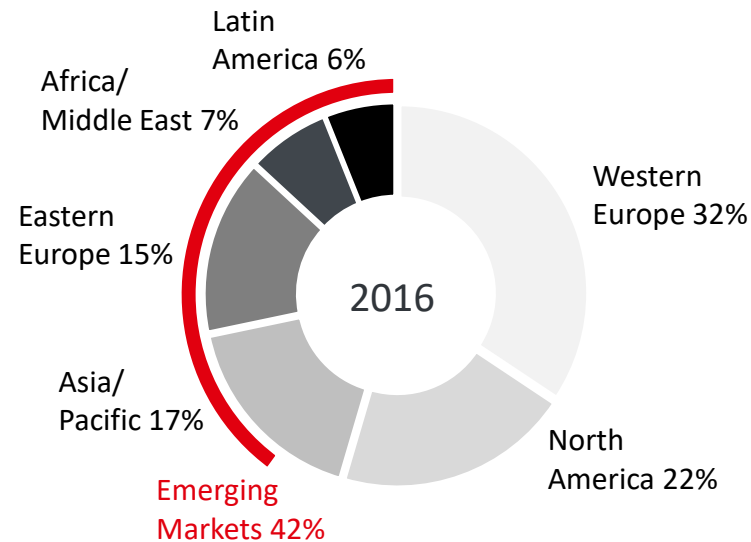
**Persil**  
**Purex**  
**all**

# | Well-diversified Portfolio of Three Business Units

Sales by business unit <sup>1</sup>



Sales by region <sup>1</sup>



<sup>1</sup> Corporate Sales Not Included (accounts for 1% of sales)

# | Top Positions across all Business Units

## Adhesive Technologies



Global leading positions

#1 globally

## Beauty Care



Leading category / country positions

#3 Hair Coloration

#3 Hair Professional

## Laundry & Home Care



#1 Europe

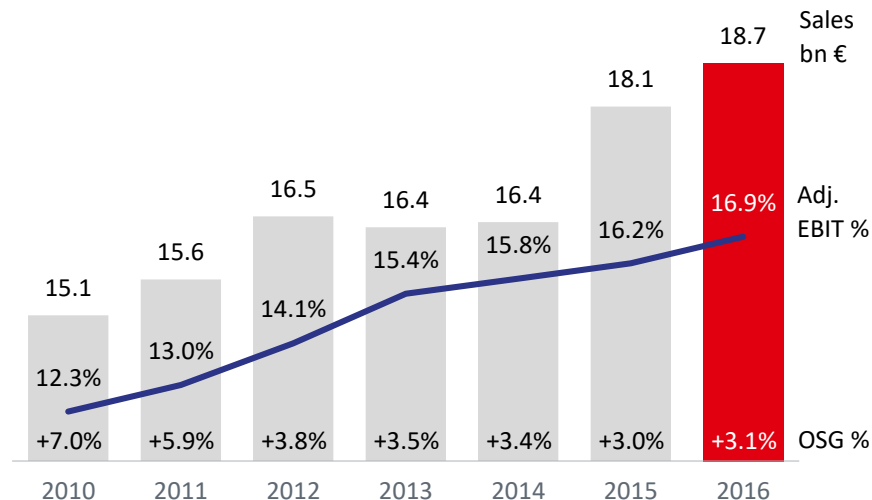
#2 North America/ MEA

# | Strong and Consistent Performance

## Profitable Growth path

- € 19 bn sales, strong Organic Sales Growth outperforming Markets
- Significant adjusted EBIT Margin increase leading to € >3 bn Profit
- Consistently high adjusted EPS Growth, +11.3% CAGR 2010-2016

## Sales & adj. EBIT margin development



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# | In a Changing Market Environment...

## **Globalization**

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Multipolar and increasingly  
interdependent market  
environment

## **Digitalization**

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Accelerating digitalization with  
exponential evolution of  
technologies

## **VUCA**

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Markets with high level of  
volatility, uncertainty,  
complexity & ambiguity

## **Sustainability**

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Increasing awareness about  
resource scarcity and social  
responsibility

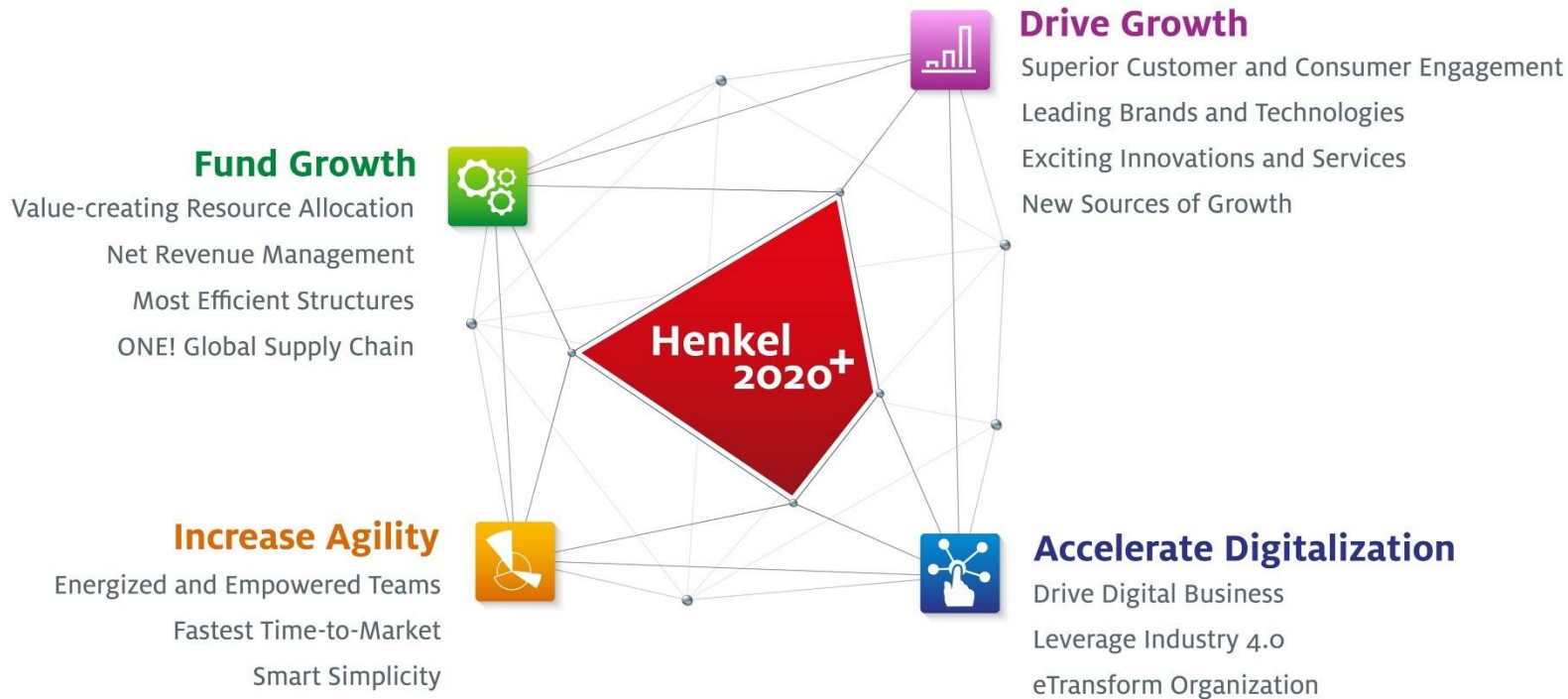
## | ... we pursue a Compelling Ambition

- Generate profitable growth and attractive returns
- Become more customer-focused, innovative and agile
- Lead digital transformation in all business activities
- Promote sustainability across the entire value chain
- Advance our portfolio with value-adding acquisitions
- Clear and exciting growth strategy going forward

# | Financial Ambition 2020

Organic Sales Growth	2 – 4% (Average 2017 – 2020)
Adjusted EPS Growth	7 – 9% (CAGR 2016 – 2020, per preferred share)
Adjusted EBIT Margin	Continued improvement in adjusted EBIT margin
Free Cash Flow	Continued focus on free cash flow expansion

# | Henkel 2020+ Strategic Priorities



# | Henkel 2020<sup>+</sup>

- Successful internal and external communication
- Focus on right priorities, full transparency of individual contribution
- Strong dynamic in execution to deliver attractive returns
- Numerous initiatives in concrete implementation



# Drive Growth



## Customer & Consumer

Digital Connect2Consumer program

Customer roadmaps with top 100 industrial customers



## Brands & Technologies

Schwarzkopf expansion in North America

Persil Offensive with international innovations



## Innovation & Services

High-performance innovations for connectivity and eMobility

First Hair Professional influencer brand #myidentity



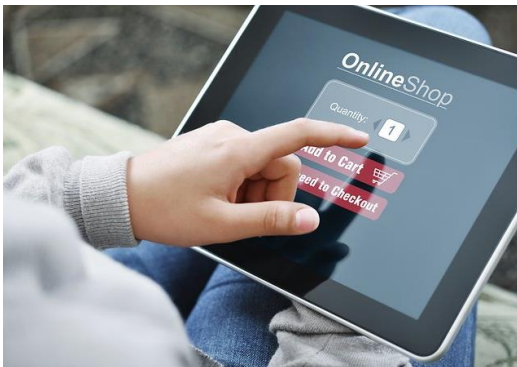
## New Sources of Growth

Digital & technological Venture Capital investments

Four acquisitions closed in 2017



# | Accelerate Digitalization



## Drive Digital Business

Expansion of digital driven sales across all business units

Global launch of eCommerce platform in industrial business



## Leverage Industry 4.0

Real-time production analytics based on >500 Mio. data points per day

Implementation of smart factory concept in industrial and consumer operations



## eTransform Organization

Digital upskill of organization and resource shift from offline to online

New Chief Digital Officer with cross-business responsibility on board



# | Increase Agility



## Energized & Empowered Teams

„Henkel 2020+ Talks“- powerful global dialogs between leaders/employees

Empowered cross-divisional teams executing strategic projects



## Fastest Time-to-Market

Simplified handling of investment projects in industrial business

Shortening time-to-market of consumer goods innovations



## Smart Simplicity

Streamlined global planning, forecasting and reporting processes

Accelerated recruiting process with more efficient and simplified hiring





# Fund Growth



## Resource Allocation

Build-up of cost category ownership structure

More than 120 initiatives, first benefits as of 2017



## Net Revenue Management

Laundry & Home Care North America completed

Henkel roll-out in Europe and in North America started



## Most Efficient Structures

Opening of fully automated warehouse in Düsseldorf

100+ robotics and automation software solutions running



## ONE!Global Supply Chain

Successful implementation in EU30 countries completed

Go-Live in North America beginning of 2018

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# | Consistent Capital Allocation supporting our Ambition

## Strong Sources of Cash

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Excellent  
Free Cash Flow  
Generation

Significant  
Balance Sheet  
Optionality

## Consistent Capital Allocation

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Investments  
Acquisitions  
Dividends



# | Consistent Capital Allocation: Investments

- Increase CapEx to € ~3 bn until 2020
- Significant investments to support growth initiatives, innovation, infrastructure and IT
- Step up investments in digitalization
- Venture Capital Fund of up to € 150m



# | Consistent Capital Allocation: Acquisitions

- Integral part of our strategy
- Strengthen our portfolio both in core and adjacencies
- Disciplined approach in acquisitions
- Commitment to single-A rating



# Consistent Capital Allocation: Acquisitions

## Integration of Sun Products Corporation well on track

- Henkel's 2<sup>nd</sup> largest acquisition
- Advancing to the No. 2 in the US laundry market
- Attractive portfolio of well-established & successful brands
- Integration of business fully on track
- New admin site inaugurated beginning of September 2017



# | Consistent Capital Allocation: Acquisitions

## Darex Packaging Technologies & Sonderhoff Group

- Acquisitions further strengthen leading position of Adhesive Technologies
- Complementary technologies in highly attractive metal packaging and sealing markets
- Customer-specific high-impact solutions with expertise-driven sales and services
- Fostering Henkel's position as partner of choice



# | Consistent Capital Allocation: Acquisitions

## Nattura Laboratorios & Zotos International

- Acquisitions reinforce Henkel's global # 3 position in the hair professional market
- Significant expansion of position in US and Mexican hair professional markets
- High-quality businesses with complementary portfolio and strong innovation capabilities
- Defensive as well as offensive synergy potential



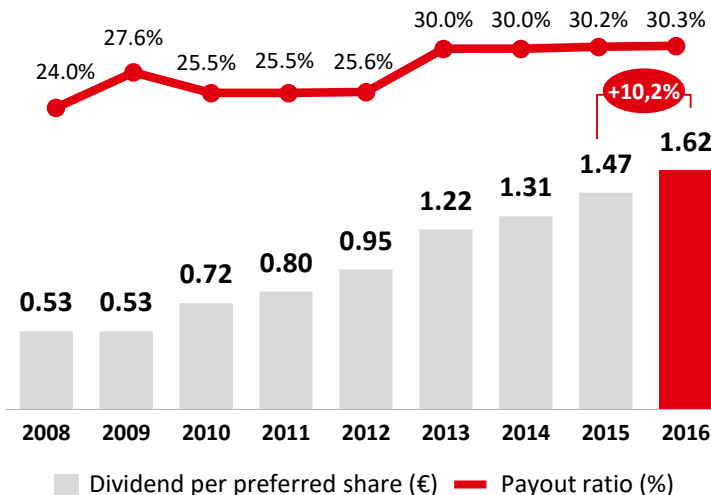


# | Consistent Capital Allocation: Dividends

## Dividend Policy

- Established dividend policy
- Consistent growth of dividend payment
- Based on strong earnings profile

## Dividend & Payout Ratio



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# | 1-9 2017: Strong performance driven by our global team

Sales

**€ 15.1 bn**

Adjusted EBIT

**€ 2.7 bn**

Adjusted EPS

**€ 4.50**

Organic Growth

**+3.1%**

Adjusted EBIT Margin

**17.6%**

Adjusted EPS Growth

**+10.0%**

+4.6% Adhesive Technologies

+0.9% Beauty Care

+2.2% Laundry & Home Care

18.8% Adhesive Technologies

17.6% Beauty Care

17.6% Laundry & Home Care

# | Continued Challenging Environment in 2017

- Geo-political tensions, political and macro-economic uncertainties
  - Difficult conditions in the consumer goods markets persist
  - Increasingly negative FX development
  - Continuously high raw material prices
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- Further drive growth with strong innovations, leading brands and intensified customer focus
  - Increase the agility of our organization by constantly adapting structures to the market
  - Fund growth with continued and rigorous cost focus

# | Guidance FY 2017

	<b>FY 2017 – previously</b>	<b>FY 2017 – updated in Q3</b>
Organic Sales Growth	2 - 4% All Business Units within this range	Henkel: 2 - 4% Adhesive Technologies: 4 - 5% Beauty Care: 0 - 1% Laundry & Home Care: ~2%
Adjusted EBIT Margin	Improvement to a level above 17.0%	Improvement to a level above 17.0%
Adjusted EPS Growth	7 - 9%	~ 9%

## | Key Points

- Strong foundation based on a well-balanced portfolio
- Excellent and consistent financial performance
- Compelling ambition to deliver attractive returns
- Consistent capital allocation supporting our ambition
- A clear and exciting growth strategy going forward

**Thank you!**