

Henkel Presentation

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Agenda

- 1. Compelling ambition & clear strategy**
2. Growth initiatives
3. Key developments and financials Q1 2019
4. Outlook FY 2019

Henkel: Three areas of competence

A global leader in brands and technologies

Industrial Business

Adhesive Technologies



Globally leading positions
#1 Global

Consumer Business

Beauty Care



#3 Hair Coloration
#3 Hair Professional

Laundry & Home Care



#3 Global
#1 Europe, #2 North America

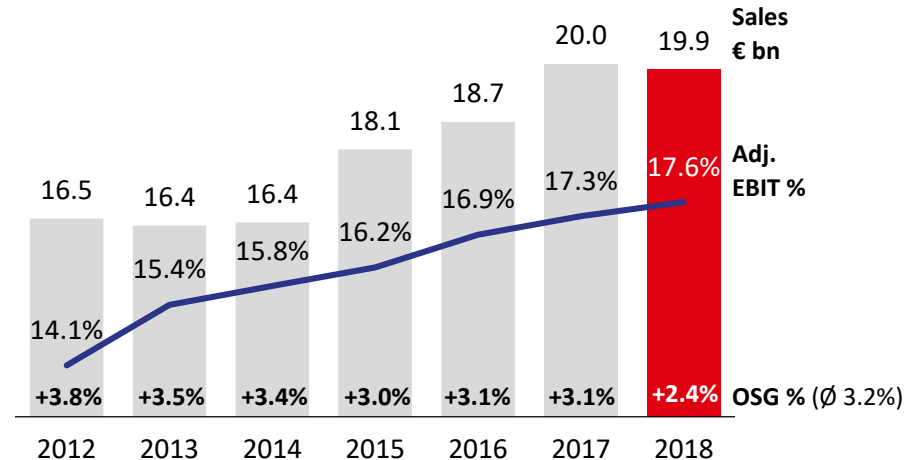
Strong, consistent long-term performance

Key financial developments

Key developments

- Good organic sales growth complemented by compelling acquisitions in all business units
- Continued improvement of Adj. EBIT Margin and new high in Adj. EBIT of € 3.5 bn in 2018
- Adjusted EPS (preferred share) up by 2.7% to € 6.01 in 2018 (+7% ex. FX), strong CAGR of 8.4%¹
- Strong FCF of € 1.9 bn and very robust balance sheet with net debt of € 2.9 bn in 2018

Sustainable and profitable growth path



¹ 2012-2018

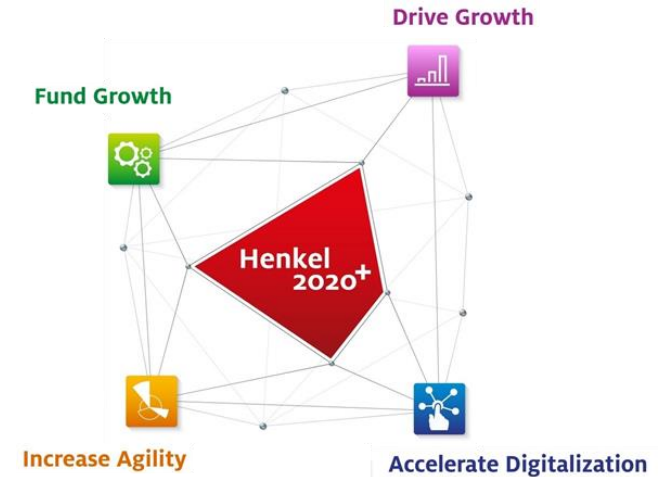
Mid- to long-term financial ambition

Committed to sustainable profitable growth

- Achieve organic sales growth of 2-4%
 - Deliver mid to high single-digit % adjusted EPS growth at constant currencies
 - Continued focus on Free Cash Flow expansion
-
- Pursue compelling growth opportunities with superior execution
 - Maintain rigorous cost discipline and focus on margin

Implementing strategic priorities at full speed

- 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



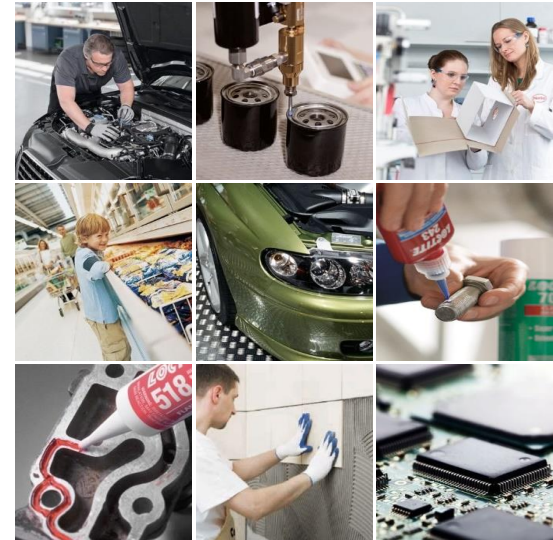
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Drive growth in Adhesive Technologies

Leverage key trends and outperform with scale and breadth of the portfolio

- **Mobility: Enabler of industry transformation**
Alternative Drives – Autonomous Driving – Lightweight
- **Connectivity: New functions & designs required**
Mobile Devices – Internet of Things – Digital Infrastructure
- **Sustainability: Drive change along the value chain**
Renewable Feedstock – Efficient Production – Circular Economy



Drive growth in Beauty Care

Accelerate growth in Retail, continue momentum in Professional

- **Drive superior growth in Hair**
Holistic innovation plan across all Hair segments addressing key trends and target groups
- **Back to growth in North America**
Targeted growth plan with strong initiatives in Body Care and Hair Coloration
- **Continue to outperform in Professional**
Sustain very strong growth momentum



Drive growth in Laundry & Home Care

Leverage strong innovation program

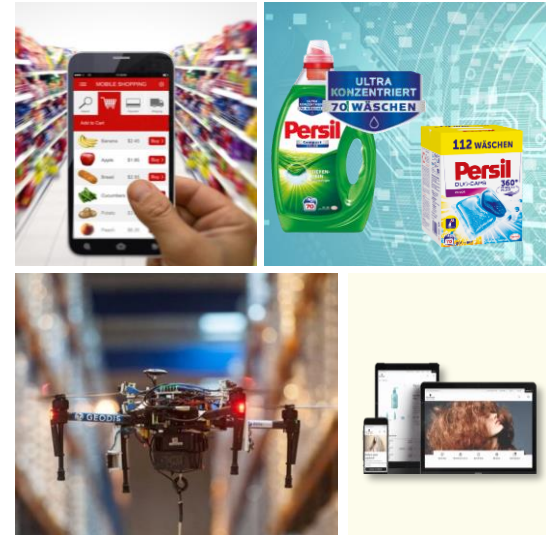
- **Innovation offensive for leading megabrand Persil**
Accelerate market share gains with cutting-edge and exclusive technologies
- **Turn around North America**
Strong innovations, caps initiatives and brand relaunches for new growth momentum
- **Expand Home Care to strengthen profitable growth**
Leveraging blockbuster brands and key trends



Accelerate Digitalization

Advance to the next level

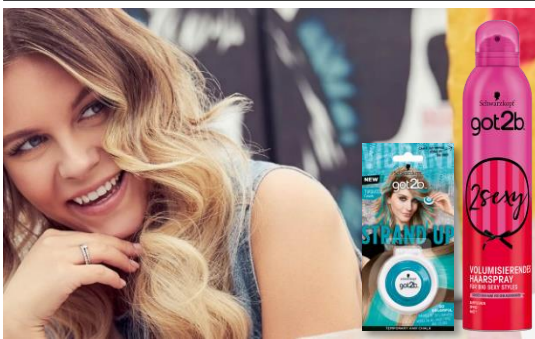
- **Driving digital sales and new business models**
Develop eFormats, specific offers, new digital services and products
- **Advance digital customer & consumer interaction**
Apply digital analytics, eCRM, eShopper category management
In-house social media team and content factory
- **Leveraging Industry 4.0**
Use automation, robotics, sensorics and analytics
- **Digital infrastructure**
Invest in digital workspaces, cyber security, network capacity



Status of Growth Initiatives

First quarter 2019

Beauty Care



- Core brands with first product activities addressing key consumer needs
- Innovations dedicated to growth areas North America, Hair and Professional

Laundry & Home Care



- Start of growth initiatives with major relaunches & format innovations
- Clear focus on top priorities North America, Persil and Home Care

Digitalization



- Investments in data analytics, digital-ready infrastructure and cyber security
- Increasing activities in customer & consumer interaction and e-commerce

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Challenging macroeconomic environment

Mixed market dynamics in Q1 2019

Slower industrial production growth

IPX weakening with some industry segments negative

Slight currency tailwind

Stronger USD, but pressure from key Emerging Market currencies persists

HPC markets mixed

Competitive environment remains intense, especially in Western Europe

Commodity inflation

Continued direct material price pressure in uncertain and volatile markets

Key developments in Q1 2019

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT %</u>	<u>Adjusted EPS Growth¹</u>
€ 5.0 bn	+0.7%	€ 795 m	16.0%	-6.3%

- Nominal sales up 2.8% to € 5 bn, supported by positive currency and M&A effects
- Good performance of Laundry & Home Care
- Beauty Care with weak start into the year
- Adhesive Technologies affected by slow-down of some industry segments
- Adj. EBIT Margin impacted by direct material price pressure, transactional currency effects and investments
- Adj. EPS below previous year, down mid-single-digit % at constant currencies

¹ At constant currencies

Organic sales development by region

Q1 2019

North America

+1.1%

€ 1,266 m (25%)

Western Europe

-1.3%

€ 1,569 m (32%)

Eastern Europe

+6.5%

€ 693 m (14%)

Latin America

+8.0%

€ 320 m (6%)

Africa/Middle East

+13.5%

€ 335 m (7%)

Asia-Pacific

-8.8%

€ 754 m (15%)

Emerging Markets: +2.2% to € 1,968 m, 40% of Group Sales

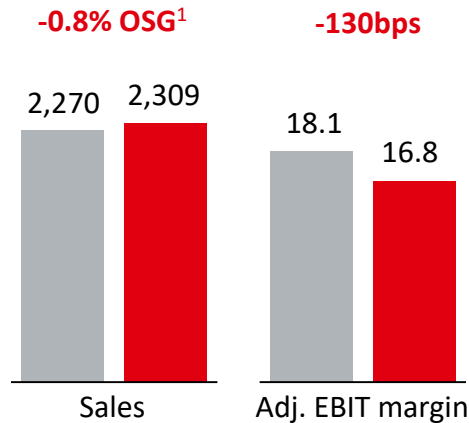
Mature Markets: -0.4% to € 2,969 m

OSG in %
abs. in € m
(share of total)

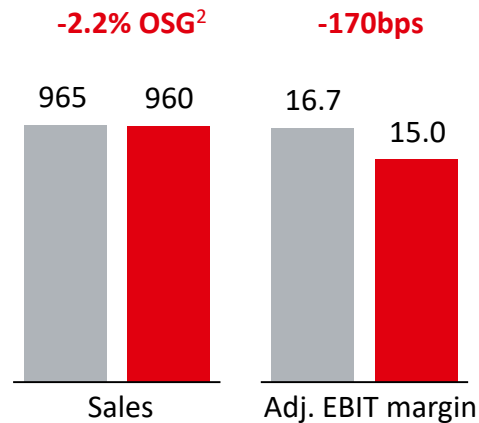
Sales and adj. EBIT margin development

Sales in € m, adj. EBIT Margin in % ■ Q1 2018 ■ Q1 2019

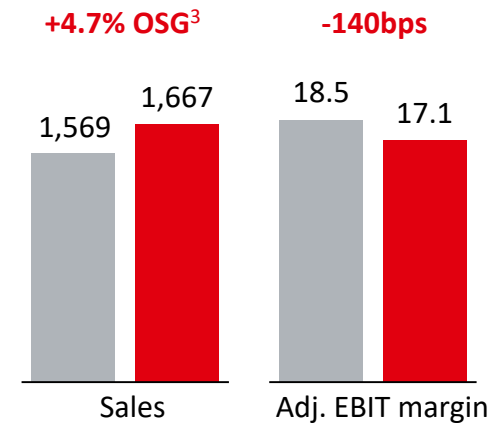
Adhesive Technologies



Beauty Care



Laundry & Home Care

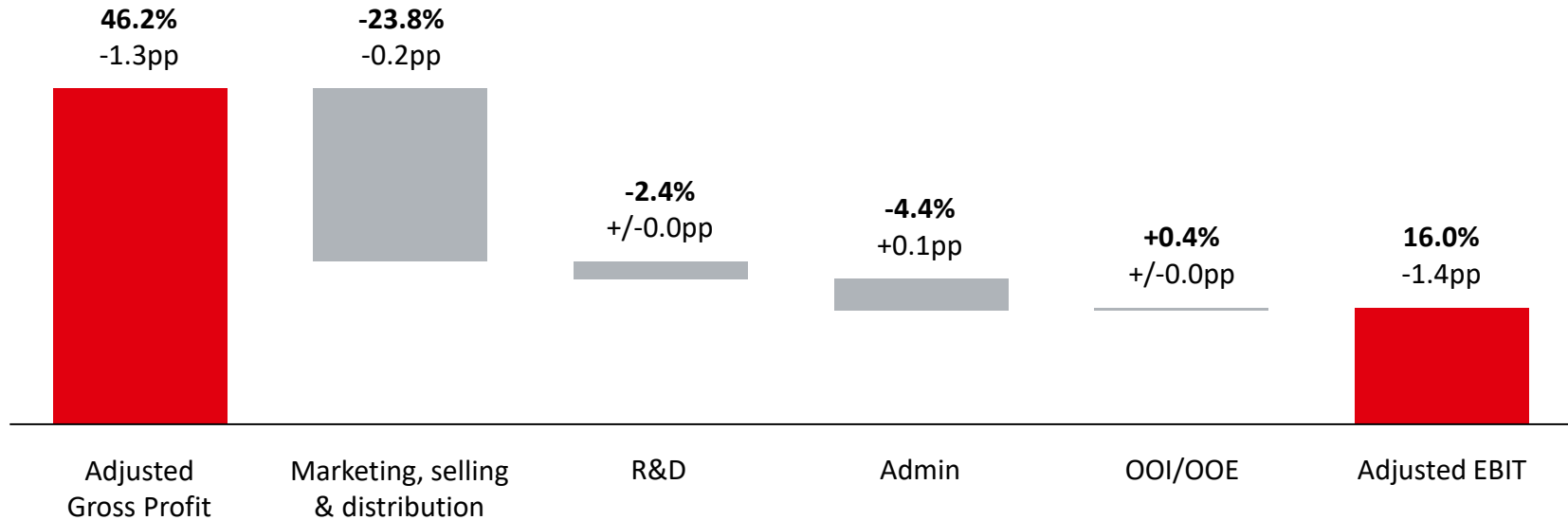


¹ Volume: -3.7% Price: 2.9%; ² Volume: -2.0% Price: -0.2%; ³ Volume: 1.4% Price: 3.3%

Adjusted Gross Profit to Adjusted EBIT

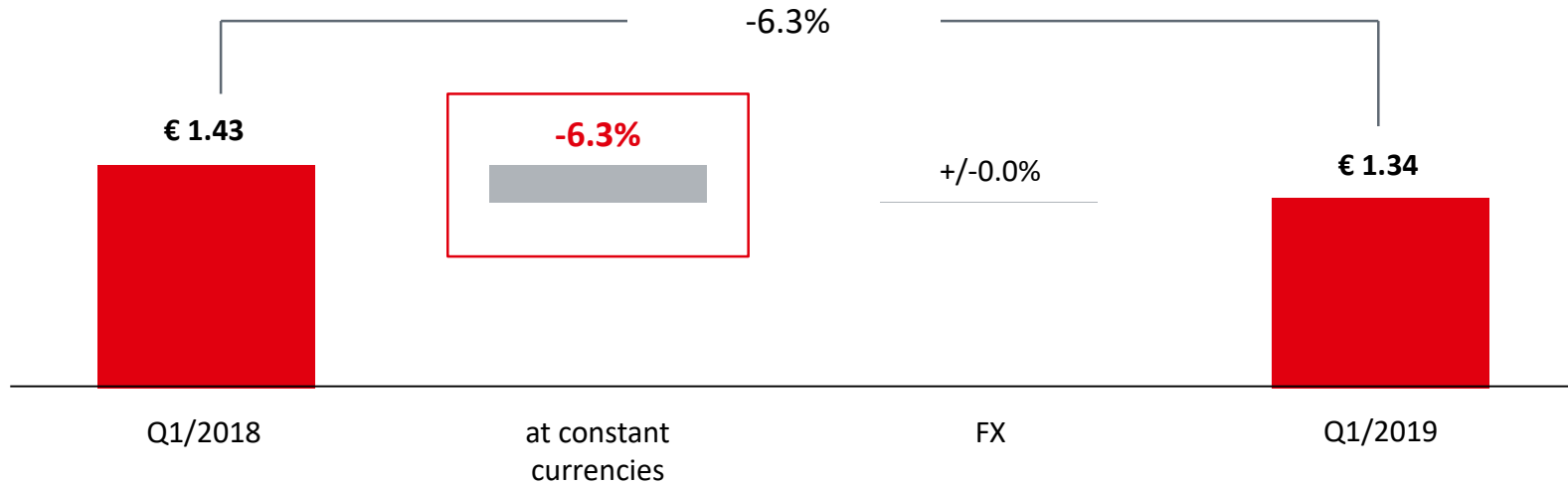
in % of sales

Impact on Adjusted EBIT Margin in pp vs. PY



Adjusted EPS development ¹

Q1 2019

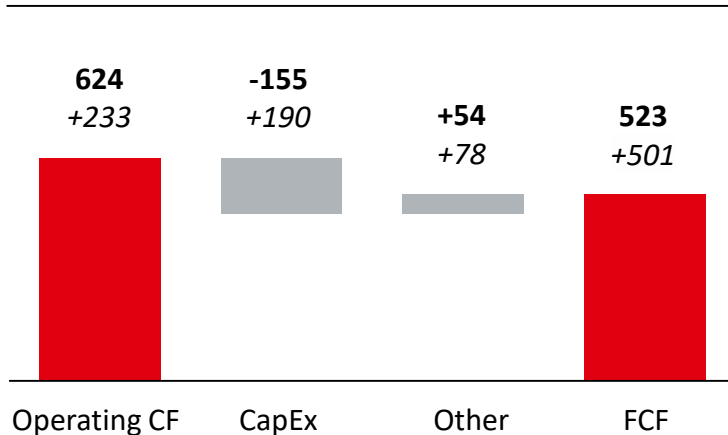


Adjusted EPS in Q1 mid-single-digit % below prior year both nominally and at constant currencies

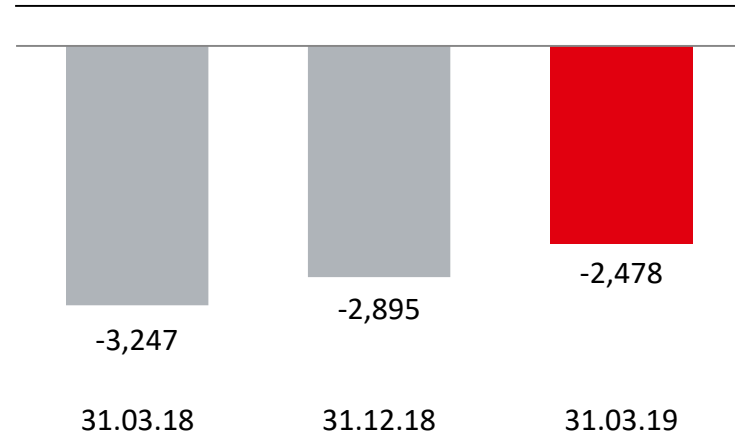
¹ per preferred share

Strong Free Cash Flow generation

Free Cash Flow in €m, Δ PY in €m



Net Financial Position in €m



Strongly improved Free Cash Flow driven by higher Operating Cash Flow and lower CapEx
Continuously strong balance sheet and further improvement of Net Financial Position

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Guidance 2019

	Henkel Group	
Organic Sales Growth	2 - 4% All Business Units within Group range	
Adjusted EBIT Margin	Henkel Group	16 - 17%
	Adhesive Technologies	18 - 19%
	Beauty Care	15 - 16%
	Laundry & Home Care	16.5 - 17.5%
Adjusted EPS (constant currencies)	Mid single digit % below PY	

Business Priorities 2019

- Return to growth in Adhesive Technologies
- Build on good start of Laundry & Home Care executing strong innovation strategy
- Reinforce growth in Beauty Care Retail, continue outperformance in Professional
- Continue to drive digitalization in all aspects
- Strong focus on cost discipline, driving efficiency and adapting structures
- Implement extra measures to improve Working Capital; expand Free Cash Flow
- Enhance value proposition of portfolio organically and via acquisitions

Thank you