



News Release

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Driving sustainable profitable growth

Henkel to step up growth investments

- **Implementation of Henkel 2020+ well under way**
- **Preliminary results 2018: Good performance despite significant headwinds**
- **Stepping up investments in brands and innovations to capture growth opportunities in consumer businesses and accelerate digital transformation**
- **Outlook for fiscal 2019 reflecting increased growth investments while maintaining high cost discipline**
- **Mid- to long-term financial ambition for 2020 and beyond reinforcing commitment to delivering profitable growth**
- **Future dividend payout ratio increased**

Düsseldorf – Since announcing its strategic priorities for 2020 and beyond (2020+), Henkel has made **very good progress in implementing its strategic priorities** and delivered a **good business performance in 2017 and 2018** thanks to its strong portfolio of innovative brands and technologies. To capture **growth opportunities** mainly in its consumer businesses and **accelerate the digital transformation**, Henkel will step up investments by around **300 million euros annually** from 2019 onwards. Around two thirds of this amount will be invested in Henkel's **brands, technologies, innovations and key markets** while around one third will additionally fund the **digital transformation** across the entire company.

“We will **step up our growth investments** to build on our strengths and **capture opportunities** especially in our consumer goods businesses. We will **strengthen our position** by accelerating the **launch of new brands and innovations**, increasing our

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

marketing investments and driving **digitalization** even further. At the same time, we will continue to maintain our **high cost discipline**, pursue further **efficiency gains** and **continually adjust our structures**,” said Hans Van Bylen, CEO of Henkel. “We are committed to delivering **sustainable profitable growth** and **attractive returns**.”

Investing in brands, technologies, innovations and digitalization

Henkel’s **Adhesive Technologies** business is well-positioned for further growth in an increasingly challenging environment thanks to its unparalleled breadth of technologies, its global reach and a broad customer basis from a wide range of industries. Henkel will further build on the growth opportunities of its adhesives business by leveraging megatrends such as connectivity, e-mobility and sustainability.

Adhesive Technologies will **expand its positions in growth markets and technologies** by driving emerging applications for example in lightweight and electrification. There is a clear focus on capturing the full growth potential by co-creating innovations with customers and using its broad network of experts. In order to create unique, digital customer experiences, Adhesive Technologies will implement an integrated data platform to better serve its customers.

In **Beauty Care**, Henkel plans a **relaunch of its entire hair care portfolio** to drive superior growth. This will include new formulations of successful brands such as Schauma, Syoss and Gliss. To accelerate the strong growth momentum in hair coloration, Henkel will build on strong innovations under the Schwarzkopf and Palette brands. In hair styling, Henkel holds leading market positions in Europe and aims to further grow with its flagship brand taft. The fast-growing brand got2b will be relaunched and expanded with targeted innovations for the men segment.

In **North America**, Beauty Care will build on the strong brand equity of Dial in body care with new formulations addressing the trend of healthier skin. Henkel will also expand its product portfolio in the attractive hair coloration category in North America. The fast-growing brand got2b will be enhanced by new offerings for men beyond

styling and expanded into a cross-category brand targeting the attractive millennials consumer segment.

Henkel will further **strengthen its global hair professional** business to sustain the very strong growth momentum. Growth will be supported by an innovation offensive in all categories, including high potential color and care initiatives. Henkel also plans to expand brands into new regions. The company will enter additional distribution channels for its hair professional business. A new state-of-the-art, interactive B2B e-platform will be launched to drive sales and provide superior customer services.

In **Laundry & Home Care**, Henkel plans the **biggest innovation offensive for its top detergent brand Persil** and will launch both new premium technologies and formulations. Henkel will introduce the first-to-market four-chamber cap, and an all-new deep-clean formula. Henkel's premium detergent brand will offer other innovations providing a superior consumer experience and convenience. The e-commerce business will be expanded with highly concentrated formulas and fully e-commerce-ready packaging. The complete value-for-money brand portfolio will be globally relaunched.

In **North America**, Henkel's Laundry & Home Care business will execute a complete relaunch of the "all" brand, leveraging Henkel's global technology expertise. To target the growing cap segment, Henkel will launch the innovative Persil ProClean disc concept and expand its value-for-money caps portfolio with "Purex 4-in-1". With the leading fabric finisher brand Snuggle Henkel will enter the premium segment with the new scent shakes product range.

In the **Home Care** segment, Henkel aims to strengthen growth and expand market shares by leveraging top brands and key consumer trends. A relaunch of the entire Somat range is planned in 2019, including new tabs and gel generations. The successful offerings in the toilet care segments will be expanded with new scents. In addition, the Pro Nature product line will strengthen its strong position in the fast-growing segment of sustainable products.

All initiatives will be supported by substantially **increased marketing investments** in both traditional and digital channels.

The **digital transformation** of Henkel will be further accelerated by a significant expansion of investments in digital businesses, analytics and infrastructure. The **digital businesses** will be specifically strengthened with the development of specific e-commerce-ready product formats and new digital services. This also includes an accelerated expansion of cooperations with major e-commerce partners or “Internet of Things” applications.

The direct **interaction with customers and consumers** via digital channels will be further expanded. Investments into new analytics tools, eCRM systems and e-shopper category management applications are also planned. **Industry 4.0**, including advanced automation and robotic solutions will be further rolled out. The company’s **digital infrastructure** will be strengthened with the set-up of new digital workspaces, investments in cyber security and an upgrade of network capacities and site infrastructure.

Preliminary Results 2018:

Good performance despite significant negative currencies and direct materials

Preliminary **sales** in 2018 amounted to 19.9 billion euros, after 20 billion euros in the previous year. **Currencies** negatively impacted reported sales by around 1.1 billion euros. **Organic sales growth** – which excludes the impact of currency effects and acquisitions/divestments – was 2.4 percent.

Adhesive Technologies achieved very strong organic sales growth of 4.0 percent. The Beauty Care business unit generated negative organic sales growth of 0.7 percent. The Laundry & Home Care business unit reported good organic sales growth of 1.9 percent.

Preliminary **adjusted* operating profit (EBIT)** improved by 1.0 percent to around 3.5 billion euros. Preliminary **adjusted* return on sales (EBIT margin)** increased by 30 basis points to 17.6 percent. The adjusted* EBIT margin for Adhesive Technologies was 18.7 percent (+20 basis points), for Beauty Care 17.1 percent (-10 basis points) and for Laundry & Home Care 18.1 percent (+50 basis points).

Preliminary **adjusted* growth per preferred share (EPS)** was at 2.7%. On constant exchange rates, adjusted* EPS growth amounted to around 7 percent.

The **final and audited financial results** will be published at the Annual Results Conference on February 21, 2019.

“This good performance in a highly challenging and volatile market environment is testament to the strong commitment and dedication of our **global team**,” said Hans Van Bylen, Henkel CEO.

Outlook 2019

Henkel expects for 2019 a challenging market environment, characterized by high uncertainty and volatility, with mixed market dynamics and continued **headwinds from currencies and commodities**. Despite an overall reduction of the **industrial and economic growth** momentum, Henkel still anticipates a good growth of industrial production. In consumer goods markets, Henkel expects persisting difficult conditions and ongoing competitive and pricing pressures.

Reflecting the increased growth investments from 2019 onwards, Henkel expects an **organic sales growth** of between 2 and 4 percent in 2019. For the **adjusted* EBIT margin**, Henkel expects a range of 16 to 17 percent and an **adjusted* EPS** development in the mid-single percentage range below prior year on constant exchange rates.

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

Mid- to long-term financial ambition for 2020 and beyond

Henkel's continued commitment to generate sustainable profitable growth and attractive returns is reflected in the company's expanded **mid- to long-term financial ambition for 2020 and beyond**: Henkel targets **organic sales growth** of between 2 and 4 percent and an **adjusted* EPS growth** in the mid- to high-single-digit range on constant exchange rates basis and will continue to focus on **free cash flow expansion**.

Henkel will continue to pursue compelling **growth opportunities**. At the same time, the company will remain focused on strict **cost discipline** and **margin**.

Based on its strong balance sheet and financial strength, Henkel will continue to implement its capex **investments**. At the same time, **acquisitions** will remain an integral part of the company's growth strategy.

Going forward, Henkel will remain focused on offering attractive returns to its shareholders. The company will increase the **target range for the dividend payout ratio** to 30 to 40 percent from fiscal year 2019 (current range: 25 to 35 percent).

"In summary, we are convinced that Henkel is well-positioned for the future with a clear strategy and a strong global team. With increased investments in our leading brands and technologies, in innovations and digitalization, we are reinforcing our commitment to sustainable profitable growth. This is reflected in our expanded mid- to long-term financial ambition 2020 and beyond," said Hans Van Bylen, CEO of Henkel.

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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 2018, Henkel reported sales of 19.9 billion euros and adjusted operating profit of around 3.5 billion euros. Henkel employs more than 53,000 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.

This document contains forward-looking statements which are based on the current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate, forecast and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the 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 forward-looking statements.

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