

Henkel FY 2018

Hans Van Bylen, Carsten Knobel
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Agenda

1. **Key Developments 2018**
2. Financials FY 2018
3. Henkel 2020+ and Targeted Growth Initiatives
4. Summary and Outlook

Henkel with good development in 2018

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT %</u>	<u>Adjusted EPS Growth</u>
€ 19.9 bn	+2.4%	€ 3.5 bn	17.6%	+2.7% (+7%) ¹

- Good organic sales growth, driven by strong performance of Adhesive Technologies
- North American consumer goods businesses negatively affected by delivery difficulties
- Substantial FX headwinds impacting top line (~€ 1.1 bn) and bottom line
- Improvement in Adjusted EBIT Margin by 30 bps supported by Fund Growth initiatives and synergies
- Adjusted EPS above previous year, up by 7% excluding FX effects
- Record dividend proposal of € 1.85² per preferred share

¹ At constant currencies

² Proposal to shareholders for the AGM on April 8, 2019

Adhesive Technologies

Strong profitable growth across all business areas

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT Margin</u>
€ 9.4 bn	+4.0%	€ 1.8 bn	18.7%

LOCTITE

TECHNOMELT

TEROSON

Adhesive Technologies

Highlights FY 2018

- **Aerospace**

Double-digit growth with high-performance solutions for aircraft manufacturers

- **General Manufacturing**

Significant growth with Loctite by providing value-accretive solutions to customers across 800 industries

- **Automotive Electronics**

Double-digit growth with high-impact solutions for connectivity and e-mobility of new generation cars



Beauty Care

Challenges in Retail in North America, very strong performance in Professional

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT Margin</u>
€ 4.0 bn	-0.7%	€ 0.7 bn	17.1%



syoss

Beauty Care

Highlights FY 2018

- **Hair Professional**

Significantly accelerated growth momentum across Mature and Emerging Markets

- **Eastern Europe Retail**

Very strong growth, driven by Hair and Body businesses

- **Hair Coloration**

Very strong growth and market share expansion across regions



Laundry & Home Care

Good organic growth, Emerging Markets compensating for challenges in North America

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT Margin</u>
€ 6.4 bn	+1.9%	€ 1.2 bn	18.1%

Persil



Bref

Laundry & Home Care

Highlights FY 2018

- **Middle East / Africa**

Double-digit growth driven by outstanding development of premium detergent and dishwashing business

- **Persil**

Significant growth from successful global innovations and strong local activation

- **Toilet Care**

Significant growth and market share expansion thanks to successful core portfolio and strong innovations

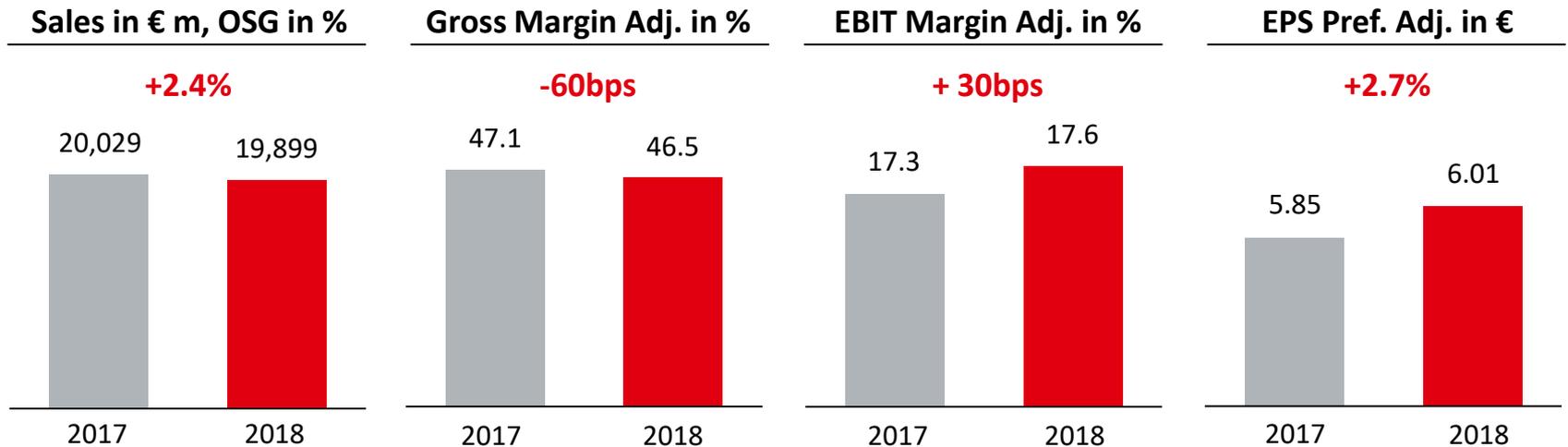


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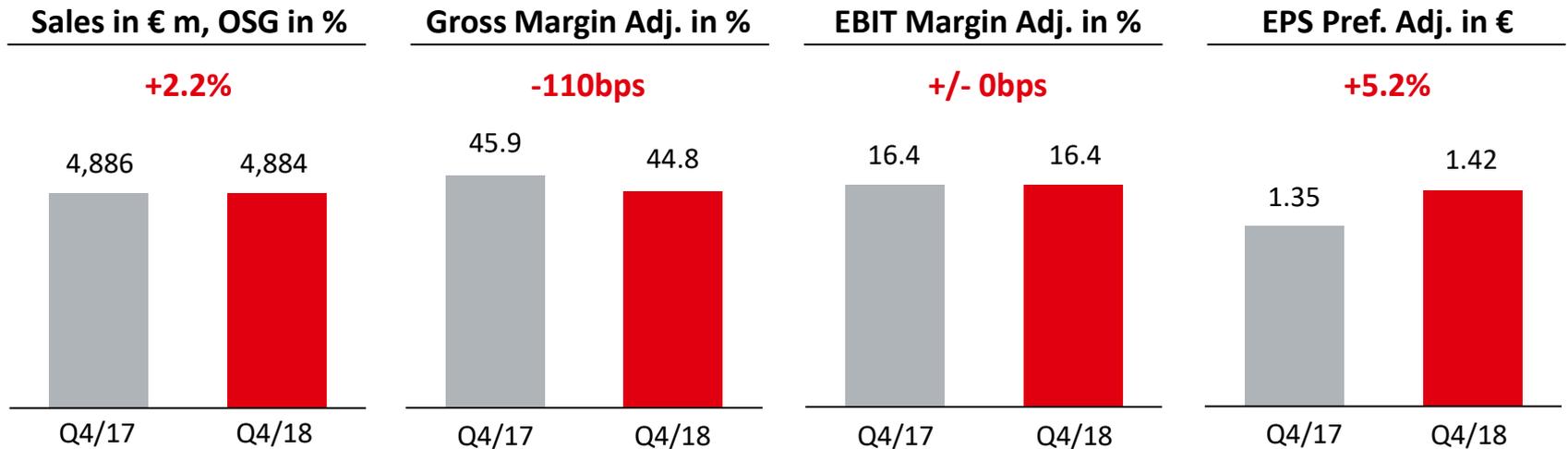
Commitment to sustainable profitable growth

Key Financials FY 2018

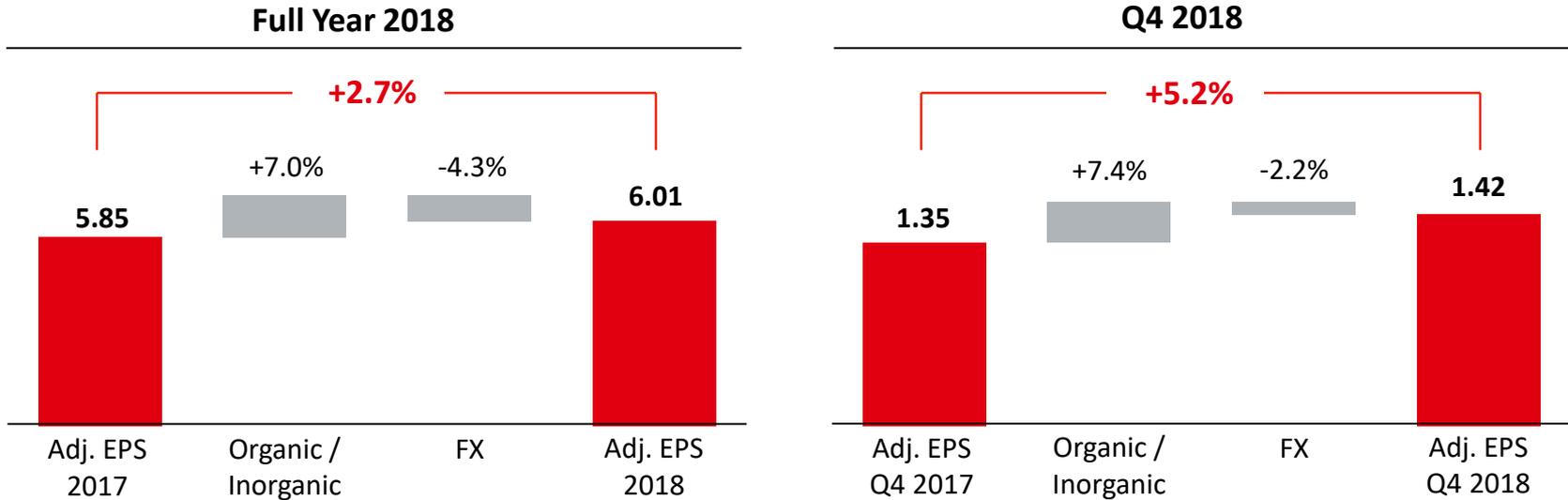


Commitment to sustainable profitable growth

Key Financials Q4 2018



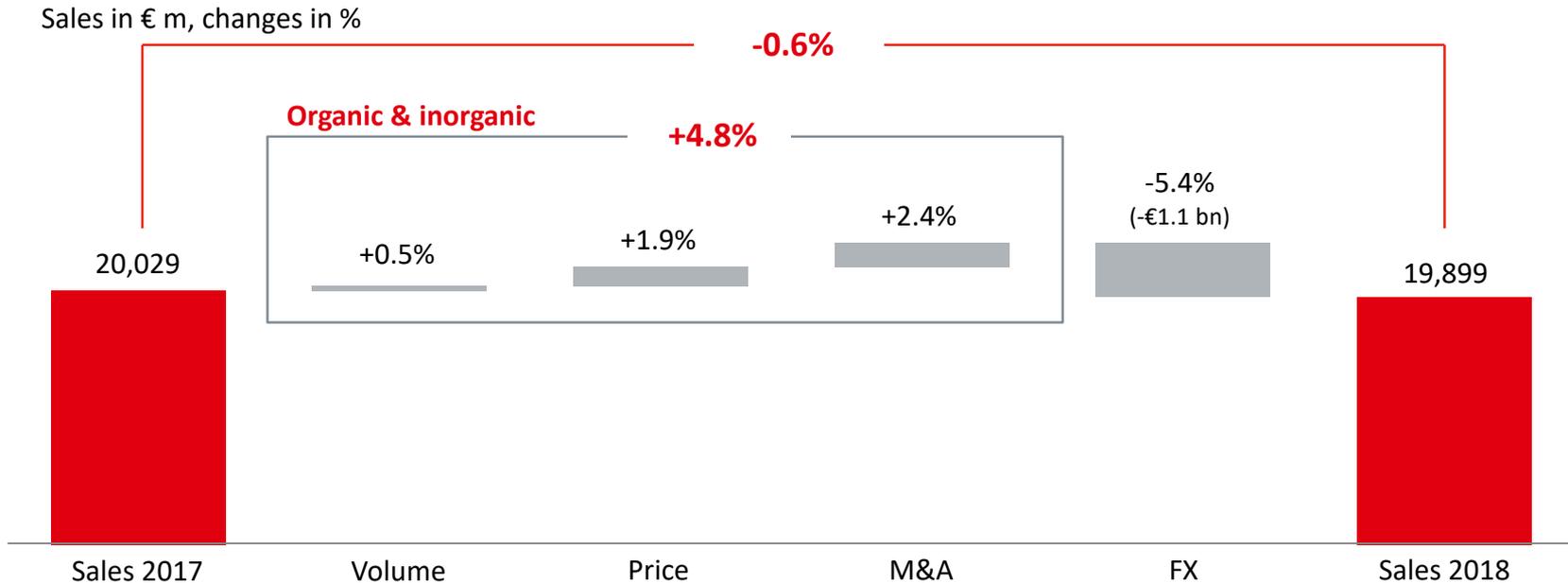
Very strong FX-adjusted EPS growth



Substantial headwinds from adverse FX movements throughout the year

Adjusted for currency effects, very strong adjusted EPS performance both in full year 2018 and Q4

Strong top line adversely impacted by FX



Organic growth driven by Emerging Markets

FY 2018

North America

-1.0%

€ 5,040 m (25%)

Western Europe

+0.3%

€ 6,107 m (31%)

Eastern Europe

+7.6%

€ 2,843 m (14%)

Latin America

+9.3%

€ 1,181 m (6%)

Africa/Middle East

+11.3%

€ 1,286 m (6%)

Asia-Pacific

+0.9%

€ 3,314 m (17%)

Emerging Markets: +6.3% to € 8,071 m, 40% of Group Sales

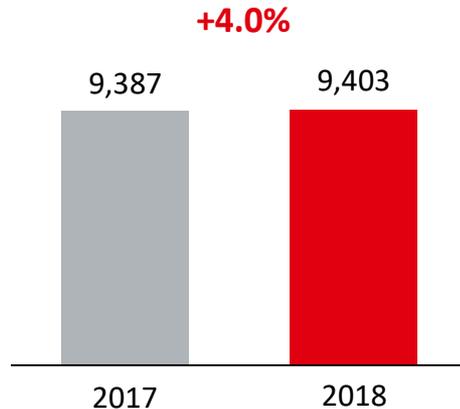
Mature Markets: -0.4% to € 11,700 m

OSG in %
abs. in € m
(share of total)

Adhesive Technologies

Strong performance driven by accelerated pricing and continued cost focus

Sales in € m, OSG¹ in %

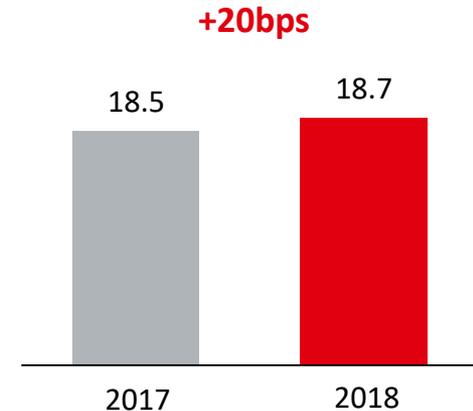


Drivers of Performance

Strong organic sales growth driven by all business areas and positive pricing and volume

Continued margin expansion thanks to accelerated pricing and Fund Growth initiatives despite strong direct material and currency headwinds

EBIT Margin Adj. in %

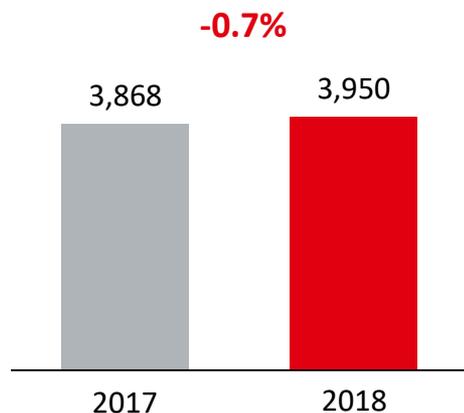


¹ Volume: 1.2% Price: 2.8%

Beauty Care

Challenges in Retail in North America, very strong performance in Professional

Sales in € m, OSG¹ in %

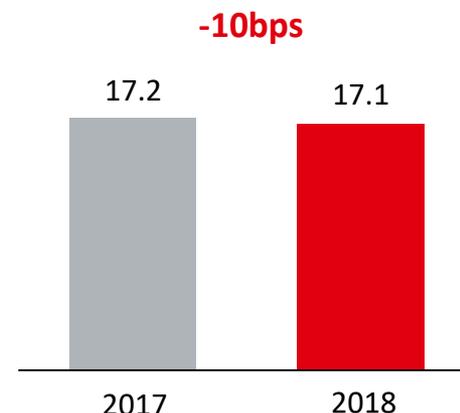


Drivers of Performance

Organic sales development impacted by NA retail business, partially compensated by very strong Professional and coloration / styling

Stable profitability level thanks to continued cost management focus

EBIT Margin Adj. in %

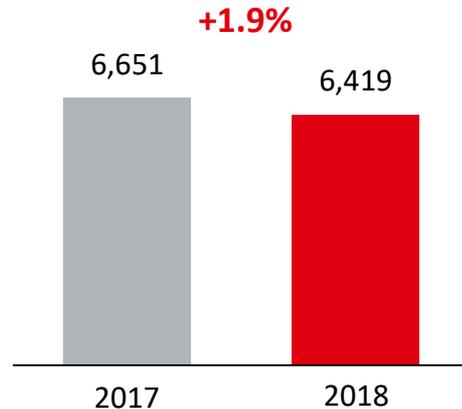


¹ Volume: 0.0% Price: -0.7%

Laundry & Home Care

Good performance driven by both Laundry Care and Home Care

Sales in € m, OSG¹ in %

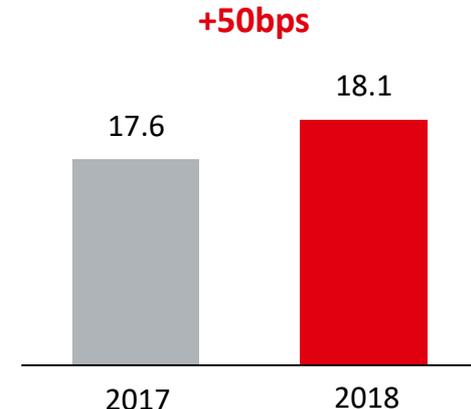


Drivers of Performance

Good organic sales growth
driven by significant Emerging
Market growth

Very strong margin expansion
thanks to realization of
synergies and accelerated
pricing despite strong direct
material and currency
headwinds

EBIT Margin Adj. in %

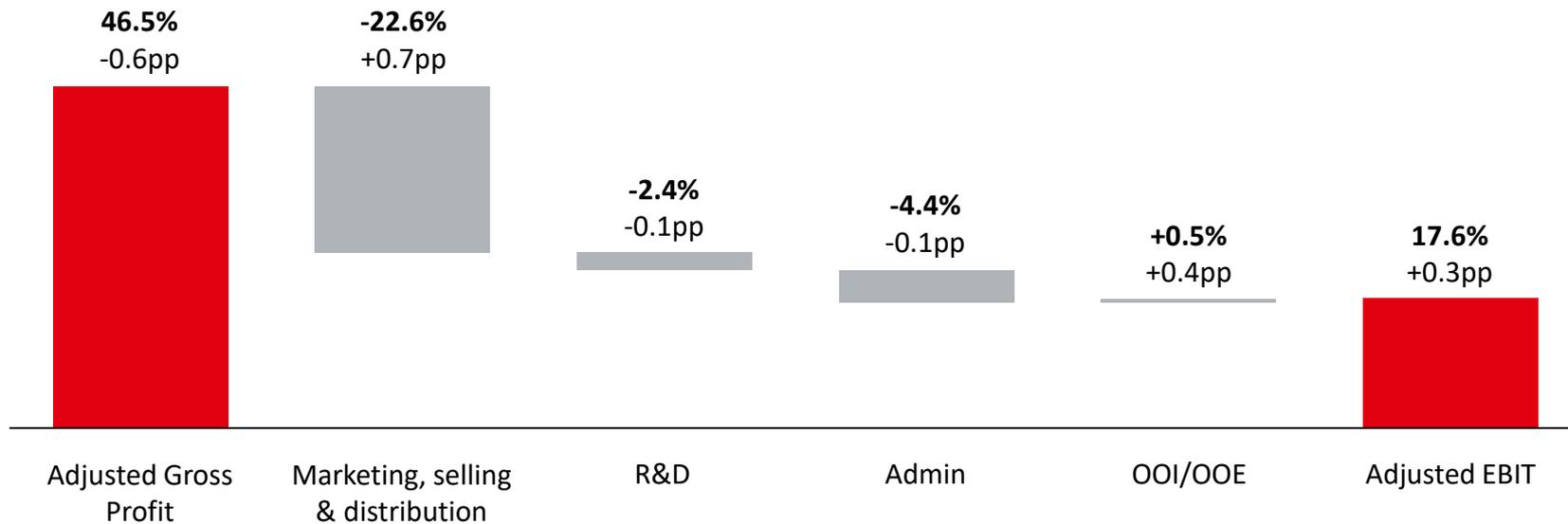


¹ Volume: 0.2% Price: 1.7%

Adjusted Gross Profit to Adjusted EBIT

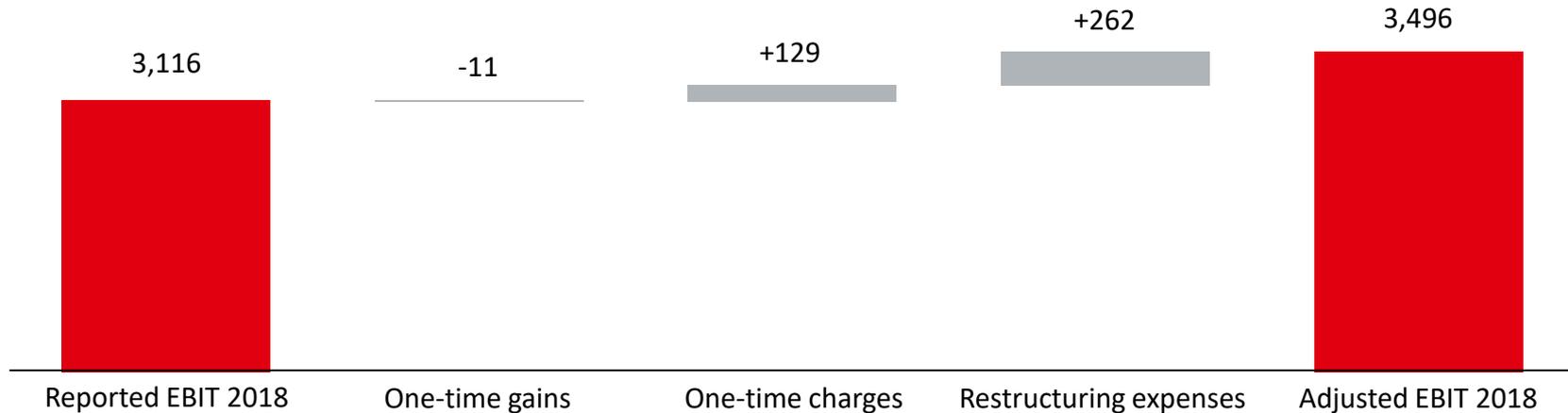
in % of sales

Impact on Adjusted EBIT Margin in pp vs. PY



Adaptation of our structures to the market

in € m



Focus of restructuring measures in FY 2018 on go-to-market approach and optimizing structures
Restructuring expenses of € 200 – 250 m expected in FY 2019

Continuously strong cash management focus

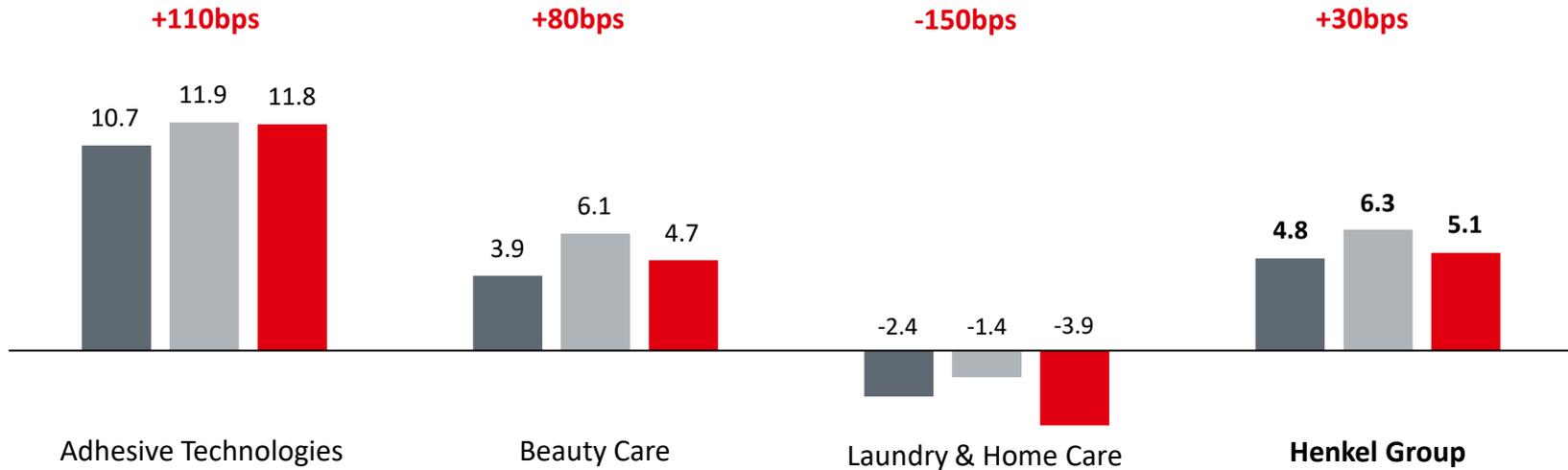
Disciplined approach to capital allocation

- Good progress in Net Working Capital management towards year-end
- Free Cash Flow improved to strong € 1.9 bn in full year 2018
- Very strong balance sheet providing substantial investment optionality
- Focused CapEx investments in all business units, particularly focusing on growth
- M&A remaining integral part of strategy, complemented by Venture Capital activities
- Continued focus on shareholder value creation – record dividend proposal of € 1.85¹

¹ Proposal per preferred share to shareholders for the AGM on April 8, 2019

Good progress in NWC management towards year-end

in % of sales



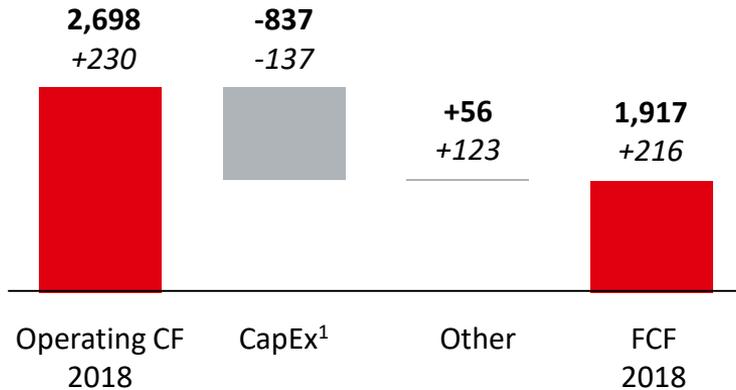
Net Working Capital of Adhesive Technologies mainly driven by higher inventories

Strong improvement in Laundry & Home Care, Beauty Care driven by portfolio effects from acquisitions

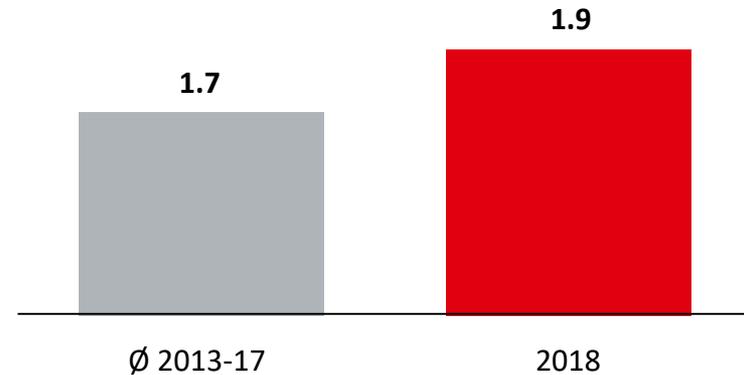
■ 2017 ■ Q2 2018 ■ 2018

Strong Free Cash Flow further improved

in € m, Δ PY in € m



in € bn



Free Cash Flow above prior-year level despite technology investment in Q1 2018

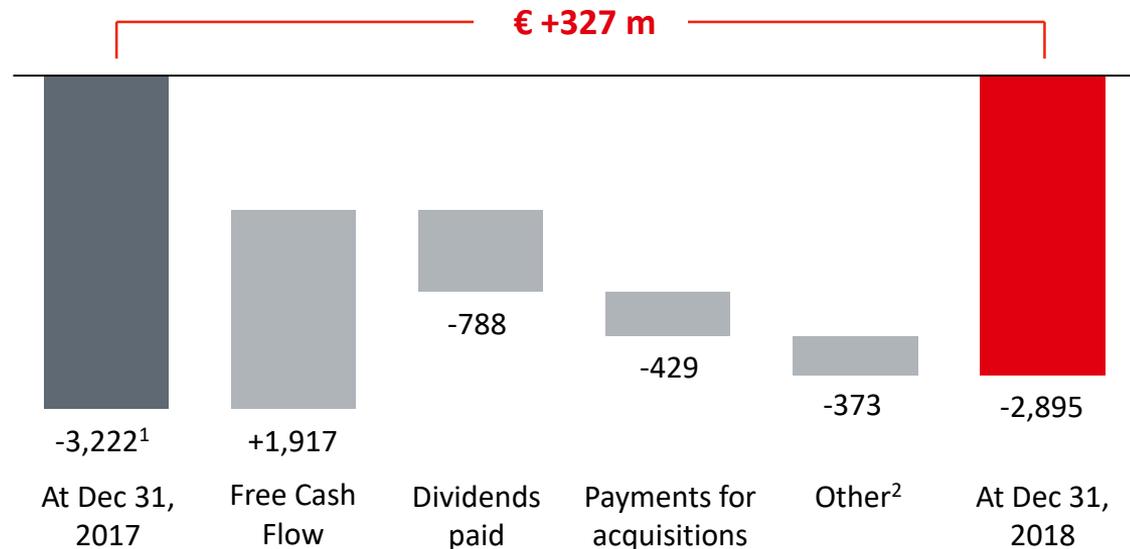
Continued focus on Free Cash Flow expansion as integral element of mid- to long-term financial ambition

¹ Including payments on account

Continuously strong balance sheet

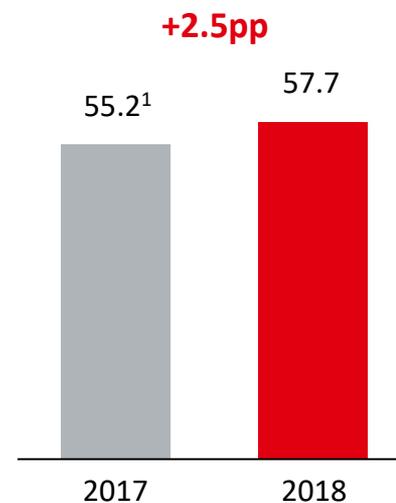
Net financial position

in € m



Equity Ratio

in %



¹ Prior-year figures amended

² Including allocations to pension funds

Focused CapEx investments in all business units

~€ 850 m spent in 2018

- **Adhesive Technologies**

- Europe – Spain
 - New production facility for aerospace

- **Beauty Care**

- Eastern Europe – Russia
 - Capacity expansion

- **Laundry & Home Care**

- North America – USA
 - Expansion of detergent capsule production



Acquisitions remain integral part of strategy

~€ 400 m invested in 2018

- **Adhesive Technologies**
Expanded footprint in Emerging Markets
- **Beauty Care**
Successfully integrated Hair Professional acquisitions
- **Laundry & Home Care**
Position in North America further strengthened
- **Venture Capital**
Strengthening digital and technological expertise by investments in start-ups and VC funds



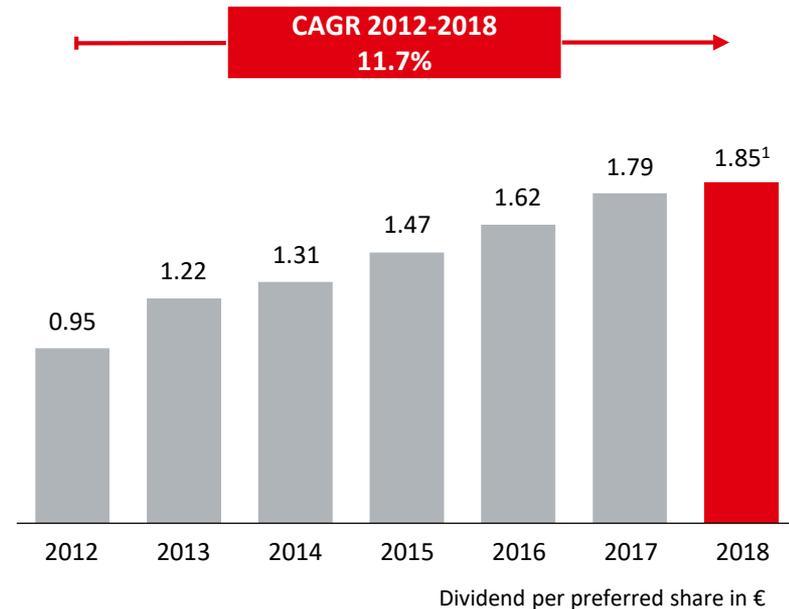
JEMPAK



Strong track record of increasing dividend

~€ 800 m distributed in 2018

- Record dividend proposal of € 1.85¹ per preferred share
- 30.9% payout ratio in line with target range
- More than € 4 bn paid out since 2012 via dividends
- Increase of target dividend payout range from 25 - 35% to 30 - 40% from fiscal 2019



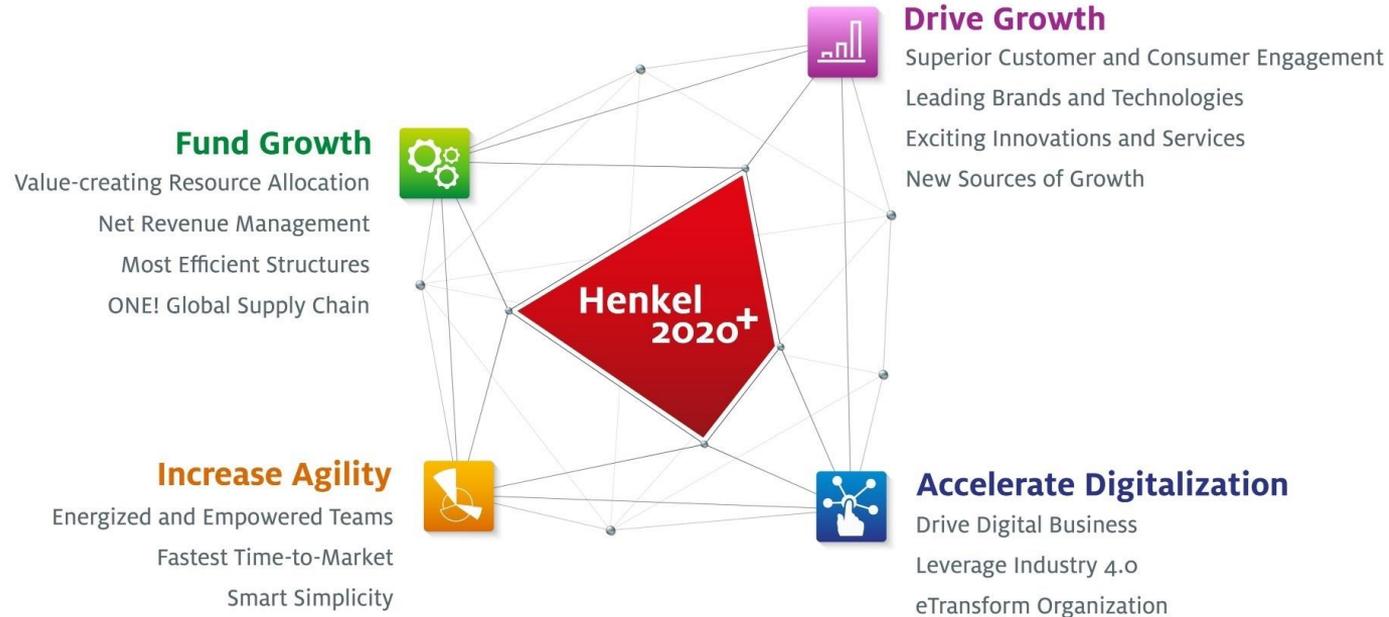
¹ Proposal to shareholders for the AGM on April 8, 2019

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Henkel 2020⁺

Continued strong progress in the implementation of our strategic priorities



Drive growth, accelerate digitalization

- Outperform by leveraging scale and breadth of the **Adhesive Technologies** portfolio
- Accelerate growth in **Beauty Care** Retail, continue momentum in Professional
- Leverage strong innovation program in **Laundry & Home Care**
- Advance to next level of **digitalization**



Drive growth in Adhesive Technologies

Focus on future growth trends

- **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

- **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 superior growth in Hair

Selection of innovations with launch in H1 2019

Schauma – relaunch of biggest family brand



Vegan formulas with micronutrients,
no silicones and parabens

Nature Box – rollout in new markets



100% natural cold pressed oils,
'free-from' formulas

OnlyLove – launch of new brand



Eco-certified formula –
no ammonia, silicone and alcohol

Back to growth in North America

Selection of innovations with launch in H1 2019

Dial – strong line extensions



Strong new lines in moisturizing body wash and antibacterial handwash

Keratin Color – strong new subline



Launch new Keratin Color variants for multi-ethnic target groups

got2b – expansion into new categories



New trend color offerings and extension of male line in hair care

Continue to outperform in Professional

Selection of innovations with launch in H1 2019

Authentic Beauty Concept – launch of premium brand



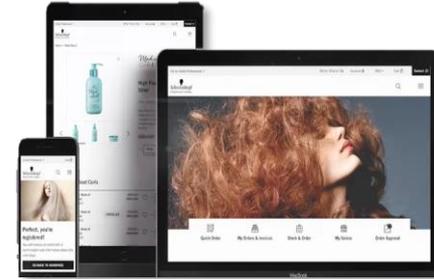
Creation of new premium
vegan OTC brand with pure
recognizable ingredients

IGORA Vibrance – global relaunch



Leveraging technology leadership in
Hair Coloration

Launch new B2B eShop



Driving sales via convenience
and end-to-end customer
experiences

Drive growth in Laundry & Home Care

- **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

Relaunch of leading megabrand Persil

Selection of innovations with launch in H1 2019

Persil Deep Clean – global relaunch



New cutting-edge Deep Clean
Technology with exclusive
advanced enzyme mix

Persil DISCS – launch of 4-chamber caps



Patented technology and
unique enzyme blend for
superior performance

eCommerce offensive



Formula and packaging innovations
with up to 2x concentrated formulas,
SIOCs¹ for optimized logistics

¹ Ship in own container

Turn around North America

Selection of innovations with launch in H1 2019

Caps offensive – win in fast growing segment



Strong caps initiatives across all price tiers: premium, mid-tier and value-for-money

'all relaunch – boost growth of largest US brand



New advanced formulas leveraging global technology expertise for #1 sensitive skin brand

Snuggle Scent Shakes – US market launch



Entry in premium fragrance segment with leading fabric finisher brand

Expand Home Care to strengthen profitable growth

Selection of innovations with launch in H1 2019

Somat All-in-1 Gel – launch of next generation



Strengthen leadership in the
fast growing gel segment

Bref DeLuxe – line extension



New premium line with new
premium DeLuxe scents

Pro Nature – new product lines



Eco-certified formulas and
sustainable plastic strategy

Drive growth, accelerate digitalization

- Stepping up investments in brands, technologies, innovations and key markets
- Accelerating top-line growth with focus on consumer goods businesses
- Driving the digital transformation across the entire company
- Full focus on rigorous execution

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Henkel with good development in 2018

Driven by strong global team

- Good organic sales growth with nominal sales of around € 20 bn
- Profitability and earnings improved in a challenging environment, supported by Fund Growth initiatives and synergies
- Strong Free Cash Flow and Balance Sheet, continued focus on shareholder value creation



Henkel 2020⁺

Executing our strategy

- 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



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

Current market environment

Mixed market dynamics with ongoing negative effects from currencies and commodities

Industrial Production

Slowing growth momentum,
but still good growth of IPX

Devaluating EM currencies

Lower currency headwinds, though still
negatively affecting top and bottom line

Mixed HPC markets

Persisting difficult conditions and
ongoing competitive/pricing pressures

Pressure from Direct Material prices

High volatility and uncertainty on commodity
markets with ongoing cost pressure

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

- Continue momentum of Adhesive Technologies in a lower growth environment
- Execute strong innovation strategy with higher investments in Consumer Goods businesses
- Advance to next level of digitalization
- Continue our strong focus on cost discipline, drive efficiency and adapt structures
- Strong focus on Working Capital improvement and Free Cash Flow expansion
- Enhance value proposition of portfolio organically and via acquisitions

Q&A

Key points you heard from us today

- Henkel with good performance in 2018
- Clear business priorities for fiscal 2019 to reinforce growth momentum
- Outlook for 2019 reflecting higher growth investments while maintaining high cost discipline
- Committed to long-term sustainable value creation and attractive returns



Upcoming Events

- April 8, 2019 Annual General Meeting
- May 7, 2019 Q1 2019 Earnings Release
- July 2, 2019 Investor & Analyst Day Adhesive Technologies
- August 13, 2019 Q2 2019 Earnings Release
- November 14, 2019 Q3 2019 Earnings Release & Investor & Analyst Day Consumer Businesses

Thank You

FY 2019: Additional input for selected KPIs

Currency Impact on Sales	Low single digit % negative ¹
Prices for Direct Materials	Low single digit % increase ¹
Restructuring Charges	€ 200 - 250 m
CapEx	€ 750 - 850 m

¹ versus the prior year

Broad-based FX headwinds in full year 2018

Top 10 non-€ countries¹, FY FX development²



¹ in order of 2018 group revenue share

² vs. Euro; FY 2018 avg. exchange rate vs. PY (Source: ECB), depreciation in red, appreciation in green

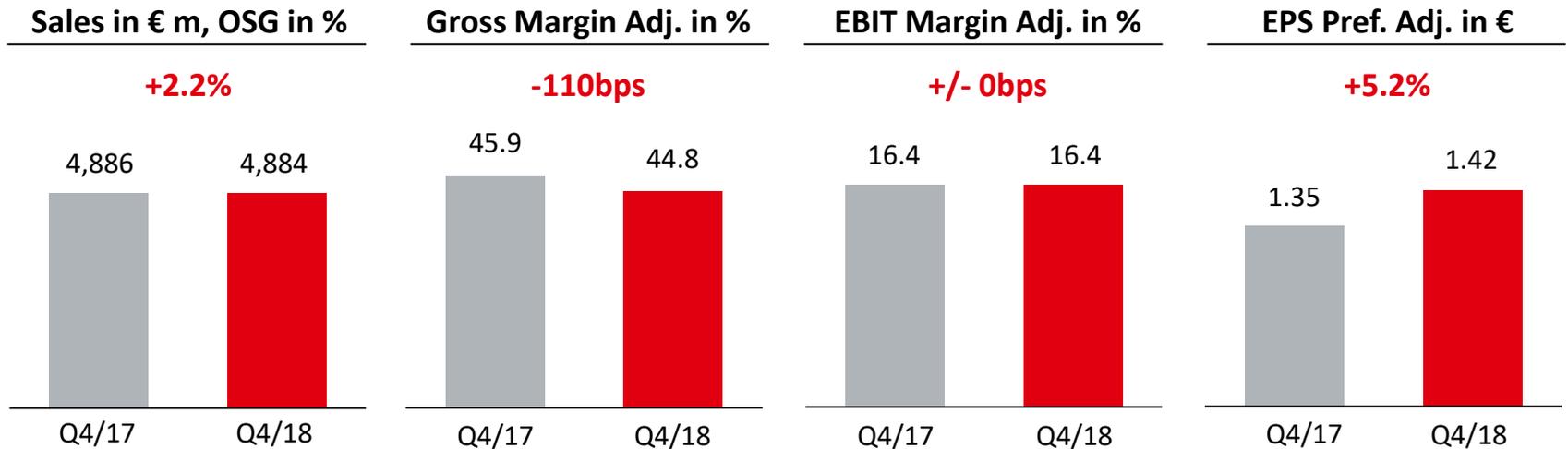
Key developments

- Currency headwinds of ~€ 1.1 bn (-5.4%) on top-line in full year 2018
- All of Henkel's top 10 non-€ currencies depreciated vs. the Euro
- Key Emerging Market currencies with high volatility and negative impact on results
- US-Dollar also posed headwind in full year, despite turning to a slight tailwind from Q3

Key Financials Q4 2018

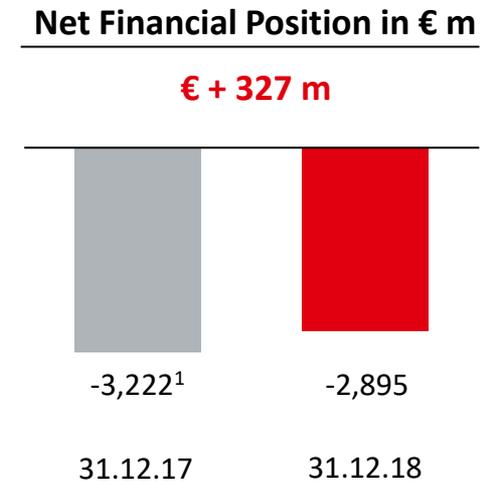
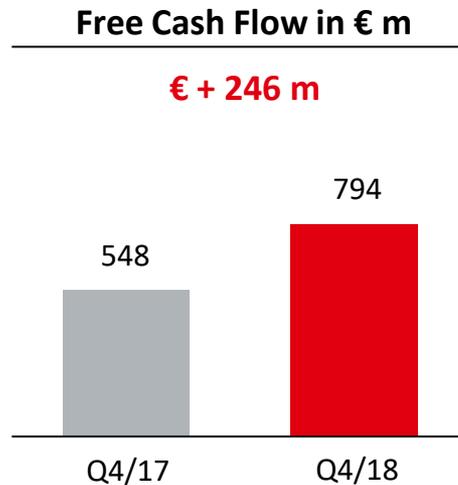
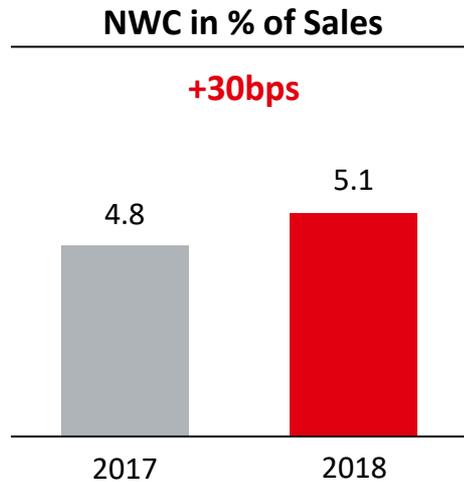
Q4 2018 Key Financials

Good organic growth and stable margin despite continued headwinds



Q4 2018 Key Financials

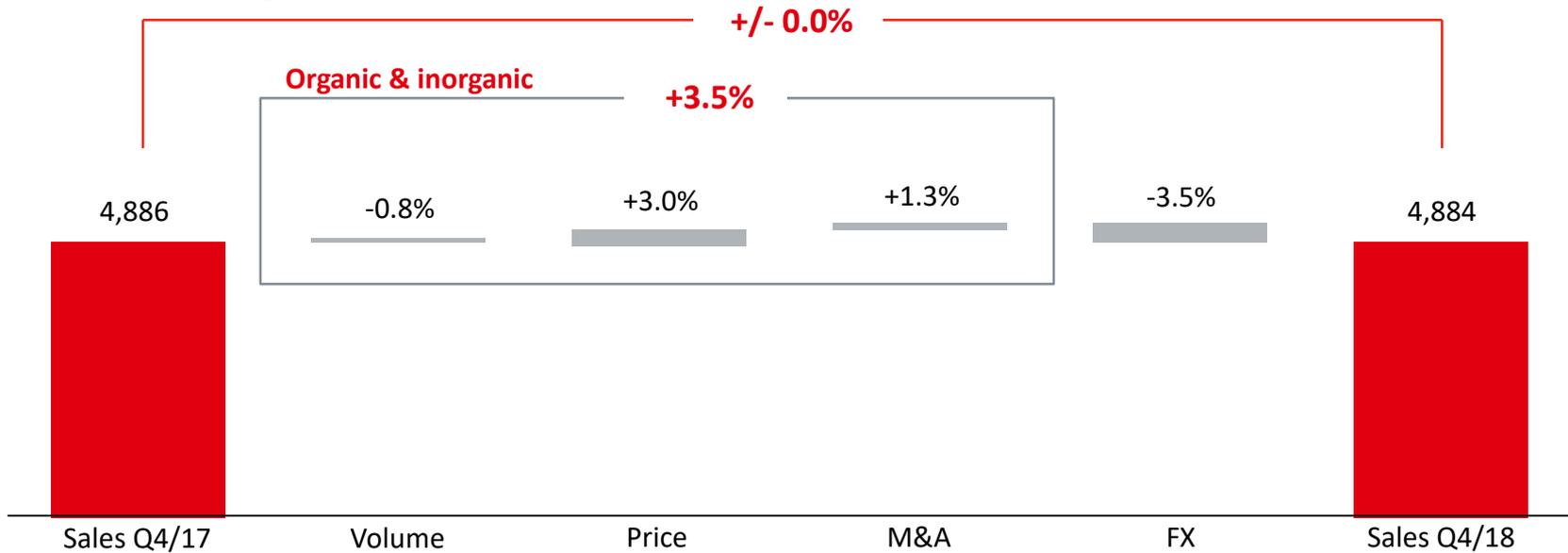
Focus on disciplined cash management



¹Prior-year figures amended

Topline growth impacted by currencies

Sales in € m, changes in %



Emerging Markets driving growth

Q4/2018

North America

-1.6%

€ 1,291 m (26%)

Western Europe

+0.2%

€ 1,435 m (29%)

Eastern Europe

+7.5%

€ 679 m (14%)

Latin America

+12.2%

€ 309 m (6%)

Africa/Middle East

+19.8%

€ 324 m (7%)

Asia-Pacific

-3.6%

€ 812 m (17%)

Emerging Markets: +6.1% to € 1,981 m, 40% of Group Sales

Mature Markets: -0.7% to € 2,868 m

OSG in %
abs. in € m
(share of total)