

# Henkel Q2 2019

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# Agenda

1. Key Developments Q2 2019
2. Financials Q2 2019
3. Outlook FY 2019 & Summary

# Mixed performance - key measures to accelerate

## **Robust performance of Adhesive Technologies in weakening market environment**

- Continue to proactively manage through industrial cycle – Capture growth opportunities

## **Beauty Care disappointing with ongoing weakness in Mature Markets and China**

- Accelerate growth investments – Sharpen organization with more responsibilities in the regions  
Adjust China go-to-market model – Review category / country portfolio

## **Good performance of Laundry & Home Care supported by growth initiatives**

- Progress upgrading portfolio and execute strong innovation strategy with increased marketing support

# Persisting macroeconomic challenges

Q2 2019

## **Slower industrial production growth**

Continued weak IPX with some industry segments negative, outlook softening

## **Mixed currency environment**

Pressure from EM currencies only partially compensated by strong USD

## **Intense HPC markets**

Competitive / retail environment remains intense, especially in Western Europe

## **Easing commodity headwinds**

Reducing direct material price pressure, outlook remains uncertain and volatile

# Key developments in Q2 2019

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT %</u>	<u>Adjusted EPS Growth<sup>1</sup></u>
€ 5.1 bn	-0.4%	€ 846 m	16.5%	-9.5%

- Nominal sales almost on par with previous year, affected by slightly negative organic sales development
- Robust performance of Adhesive Technologies underpins strength of portfolio and business model
- Beauty Care significantly impacted by slower recovery in Mature Markets and continued de-stocking in China
- Good performance of Laundry & Home Care, strongly driven by businesses in Emerging Markets
- Adj. EBIT Margin impacted by increased investments and direct material price pressure
- Adj. EPS below previous year, down by high-single-digit percentage at constant currencies

<sup>1</sup> At constant currencies; per preferred share

# Adhesive Technologies

Key Performance Indicators Q2 2019

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT Margin
€ 2.4 bn	-1.2%	€ 469 m	19.3%

**LOCTITE**

**TECHNOMELT**

**TEROSON**

# Adhesive Technologies

Highlights Q2 2019

- **Paper Solutions**

Very strong growth with novel sustainable solutions for eCommerce markets

- **Aerospace**

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

- **Flexible Packaging**

Very strong growth in emerging markets through close partnerships with key accounts





# Beauty Care

Key Performance Indicators Q2 2019

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT Margin
€ 1.0 bn	-2.4%	€ 122 m	12.2%



**syoss**

# Beauty Care

First initiatives across hair categories with good progress

## Successful initiatives in Coloration & Styling

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Increasing global market shares  
in both Hair Coloration  
and Hair Styling

## First initiatives launched in Hair Care

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Signs of improvement  
in European Hair Care  
business

## Ongoing portfolio upgrade

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New nature brands Nature Box and  
N.A.E. holistically addressing  
“Better-for-You” trend

# Beauty Care

Promising start of initiatives in North America, challenges in body care continue

## Body Care turnaround not yet achieved



Dial recovering, small  
brands with challenges

## Double-digit growth of got2b Styling



Successful innovations in male  
segment and further roll-outs

## Gains with US Coloration portfolio



Expansion of US market shares  
thanks to Keratin and got2b Color

# Beauty Care

Professional with continued growth in mature, emerging and digital markets

## Successful innovation offensive



Strong performance  
in all categories across Mature  
and Emerging Markets

## Launch of additional premium brands



Incremental brand launches  
Authentic Beauty Concept  
and “tbh”

## Fast growing digital sales



Double-digit growth with  
new state-of-the-art  
B2B ePlatform

# Laundry & Home Care

Key Performance Indicators Q2 2019

Sales

€ 1.7 bn

Organic Growth

+2.0%

Adjusted EBIT

€ 279 m

Adjusted EBIT Margin

16.8%

**Persil**



**Bref**

# Laundry & Home Care

Strong Persil initiatives in execution across regions

## Persil Deep Clean – global relaunch



Distribution build-up almost completed in >30 countries, strong commercial activation

## Persil DISCS – launch of 4-chamber caps



Launched in North America and start of roll-out in Europe

## eCommerce offensive



Dedicated eInnovations launched in Europe and North America delivering double-digit growth in H1

## Laundry & Home Care

## Caps offensive in North America across brands and price tiers

## Persil Pro Clean DISCS



Launched in May and with increasing shelf rotation, communication throughout H2

## Completely new 'all set-up



'all relaunch and new Duo-Caps  
fully distributed in the market,  
media support throughout the year

### Caps in new price tiers



“Value-for-Money” caps segment  
entered with Purex

# Laundry & Home Care

Home Care with successful and profitable innovations

## Premium innovations further driving profitability

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Establishing higher price points  
with differentiating innovations

## Automatic dishwashing growing further

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Innovative Somat All-in-1 Gel launched  
across Europe, new premium variant  
'Excellence' launched in Germany

## Pro Nature: Strong and consumer relevant

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Roll-out of subline into toilet care  
and insecticides category

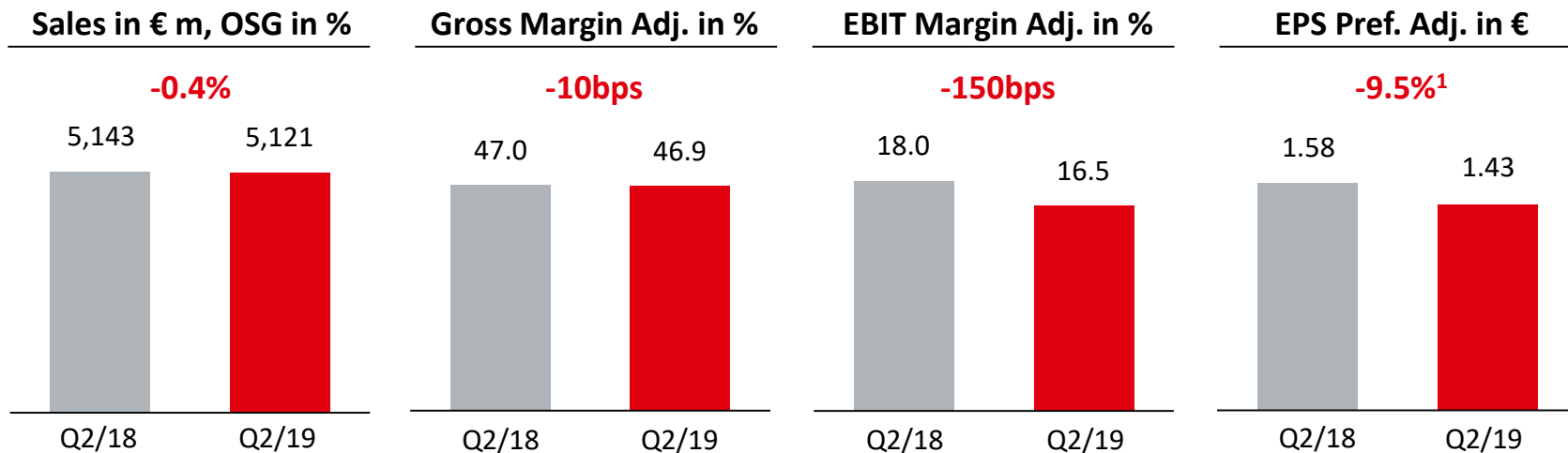


# Agenda

1. Key Developments Q2 2019
2. **Financials Q2 2019**
3. Outlook FY 2019 & Summary

# Key performance indicators

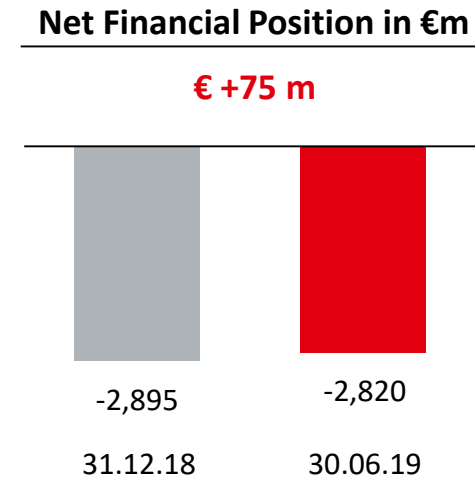
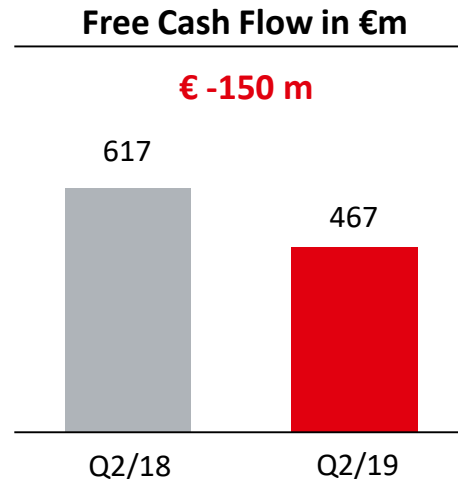
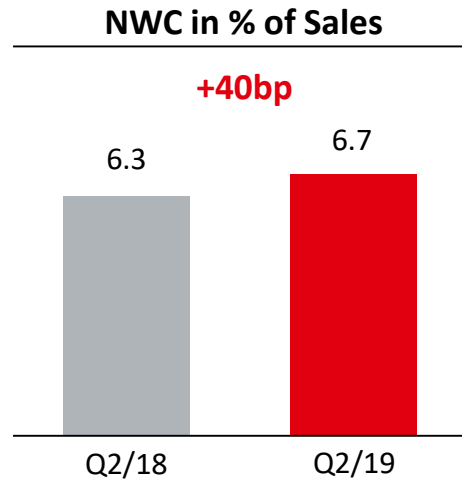
Q2 2019



<sup>1</sup> At constant currencies

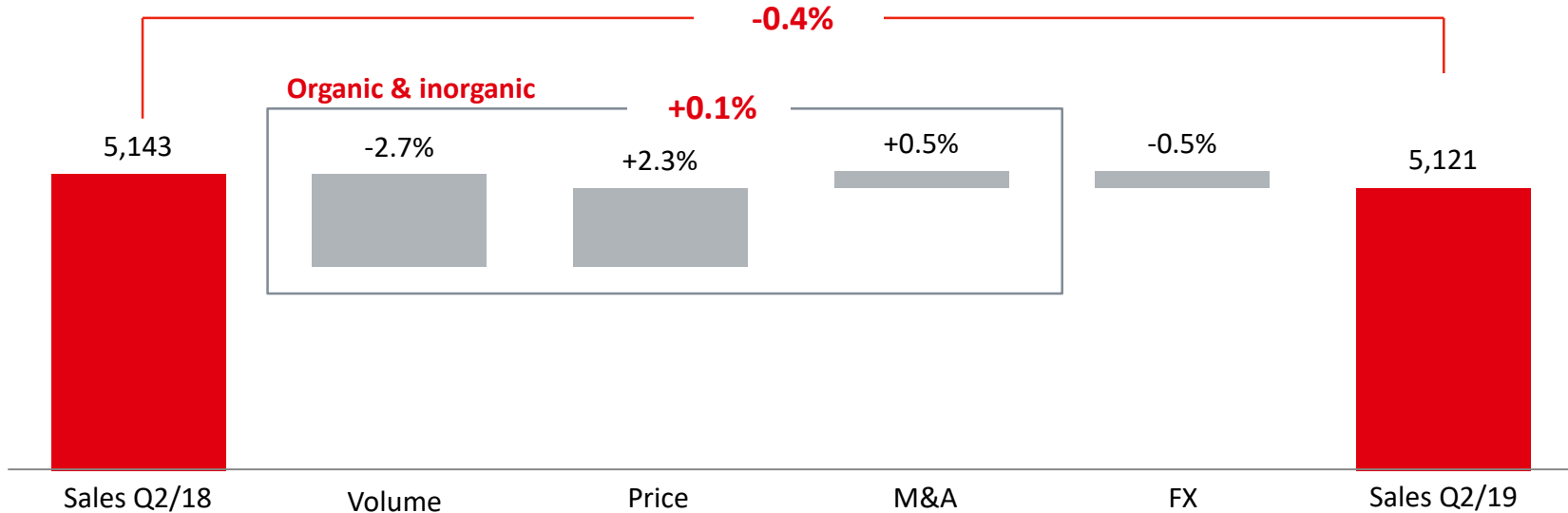
# Focus on disciplined cash management

## Key Financials Q2 2019



# Top-line development and drivers

Sales in € m, changes in %



# Organic sales development by region

Q2 2019

## North America

**-5.0%**

€ 1,357 m (26%)

## Western Europe

**-1.8%**

€ 1,530 m (30%)

## Eastern Europe

**+8.0%**

€ 764 m (15%)

## Latin America

**+11.0%**

€ 352 m (7%)

## Africa/Middle East

**+16.5%**

€ 317 m (6%)

## Asia-Pacific

**-7.9%**

€ 771 m (15%)

**Emerging Markets:** +3.9% to € 2,065 m, 40% of Group Sales

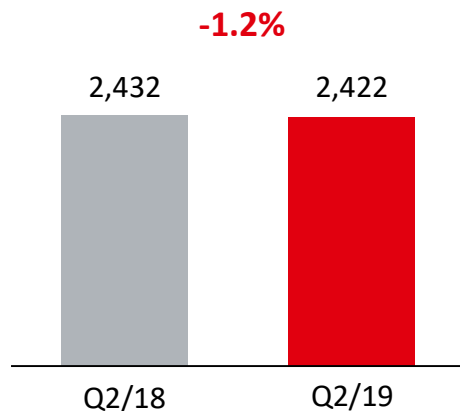
**Mature Markets:** -3.2% to € 3,026 m

**OSG in %**  
abs. in € m  
(share of total)

# Adhesive Technologies

## Key Financials Q2 2019

### Sales in € m, OSG<sup>1</sup> in %

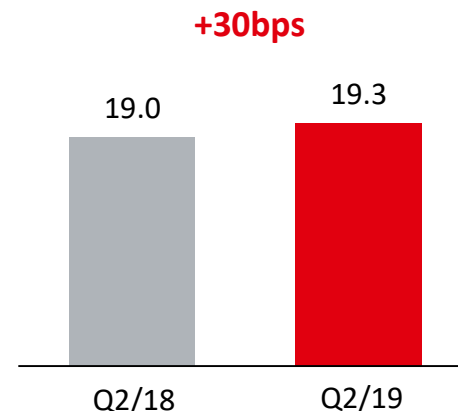


### Drivers of Performance

**Organic sales development**  
impacted by challenging environment  
in Automotive and Electronics as well  
as in China, supported by strong pricing

**EBIT margin improved**  
thanks to strong pricing and cost  
efficiency initiatives overcompensating  
negative volume effects

### EBIT Margin Adj. in %

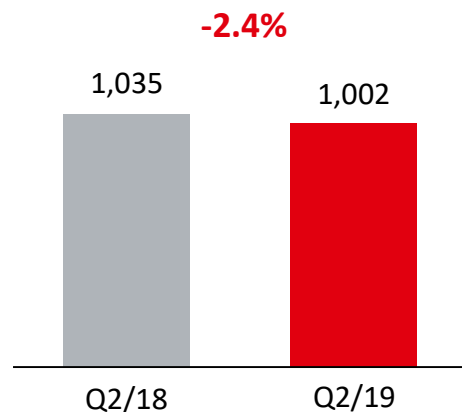


<sup>1</sup> Volume: -4.1% Price: 2.9%

# Beauty Care

## Key Financials Q2 2019

### Sales in € m, OSG<sup>1</sup> in %

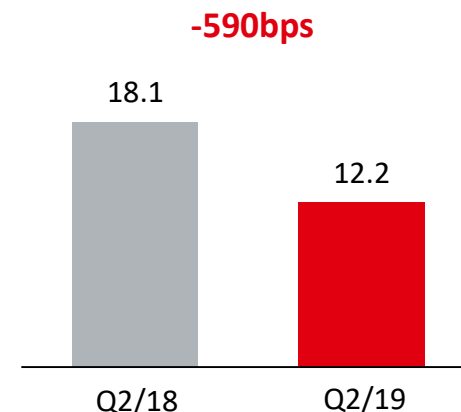


### Drivers of Performance

**Organic sales development**  
impacted by challenges in Mature Markets and de-stocking in China, supported by ongoing strong Professional business

**Profitability impacted**  
by negative volumes, increased investments and continued direct material price pressure

### EBIT Margin Adj. in %

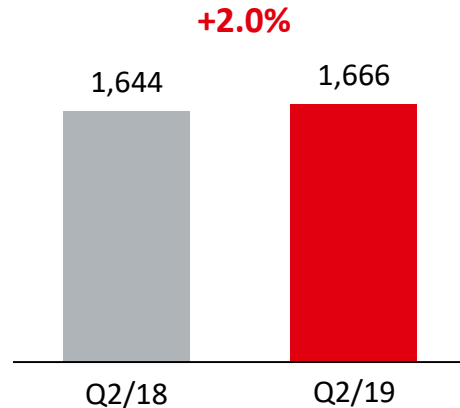


<sup>1</sup> Volume: -2.7% Price: 0.3%

# Laundry & Home Care

## Key Financials Q2 2019

### Sales in € m, OSG<sup>1</sup> in %

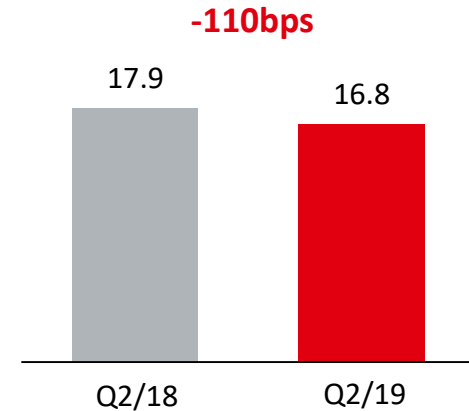


### Drivers of Performance

**Organic sales development**  
driven by double-digit Emerging  
Markets growth compensating  
development in North America

**EBIT margin below previous year**  
impacted by increased investments  
and continued direct material price  
pressure, support from cost  
efficiency initiatives and pricing

### EBIT Margin Adj. in %



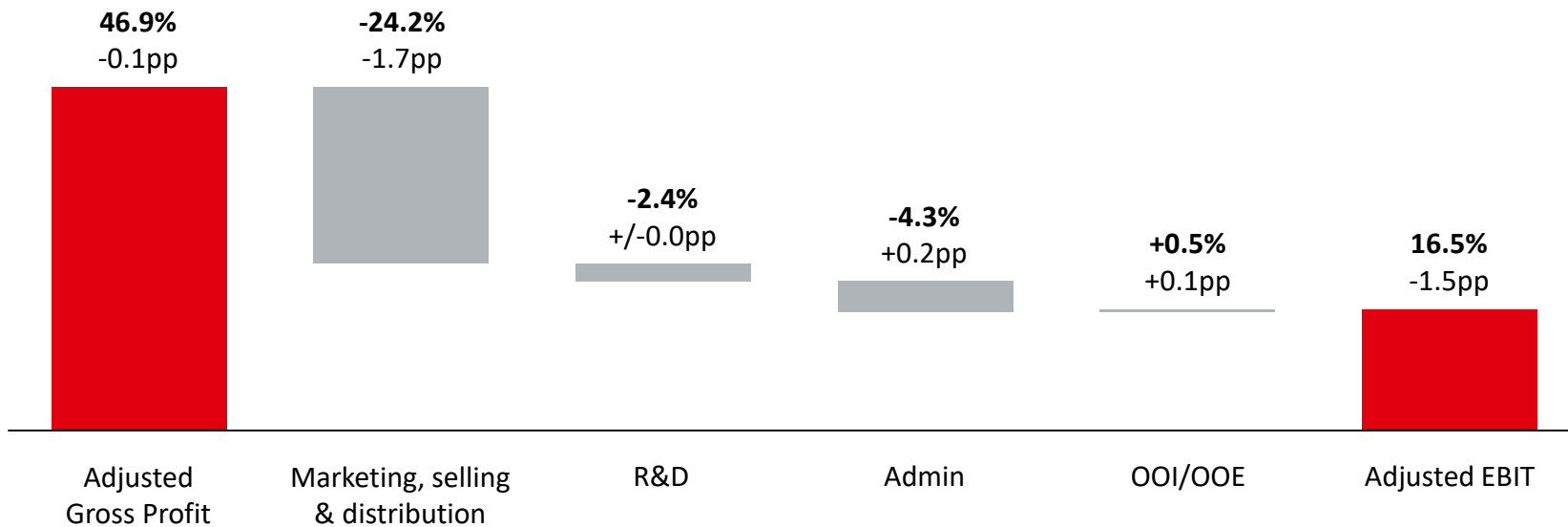
<sup>1</sup> Volume: -0.8% Price: 2.8%



# Adjusted Gross Profit to Adjusted EBIT

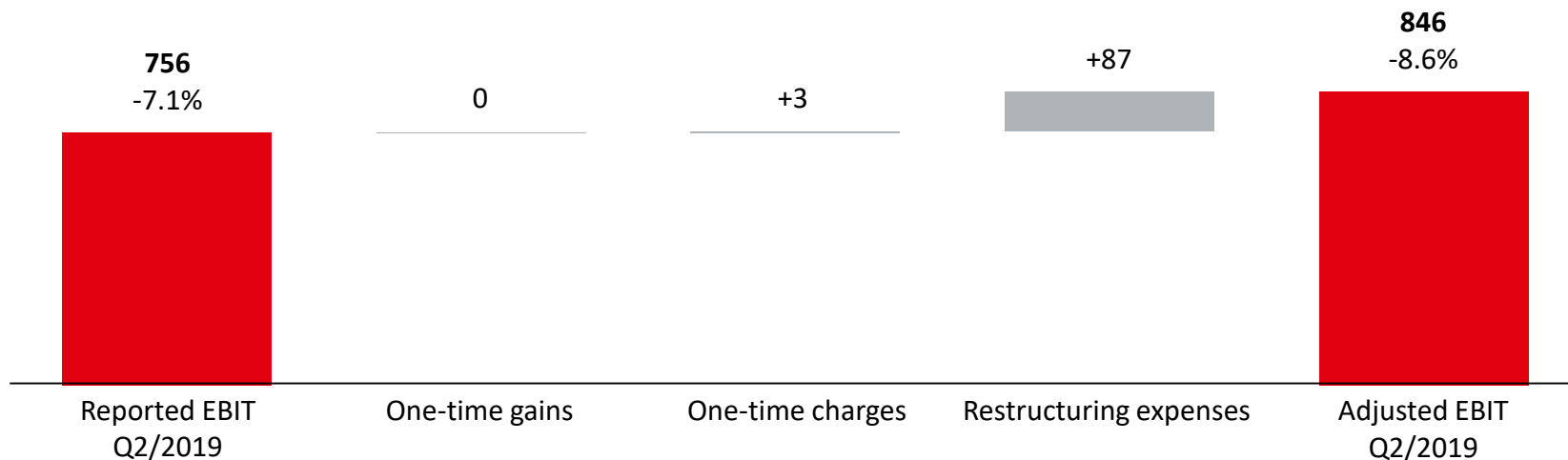
in % of sales

Impact on Adjusted EBIT Margin in pp vs. PY



# Adaptation of our structures to the market

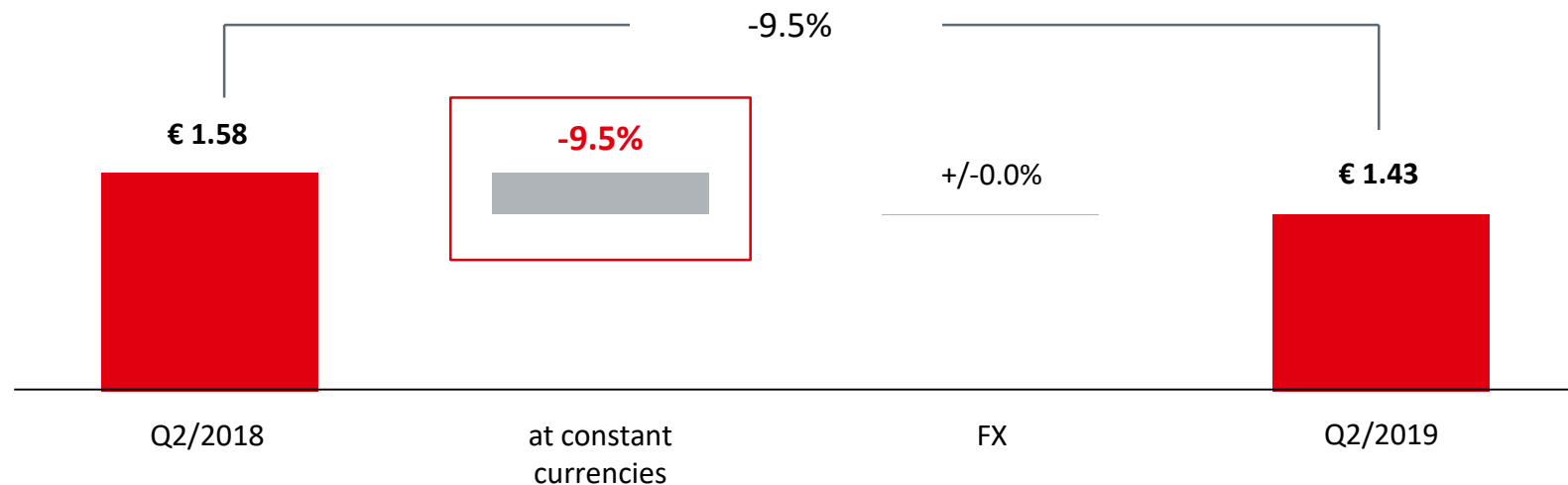
in € m, change in %



**Focus of restructuring measures in Q2 2019 on adapting go-to-market approach and optimizing structures**  
**Restructuring expenses of € 200 – 250 m expected in FY 2019**

# Adjusted EPS development <sup>1</sup>

Q2 2019

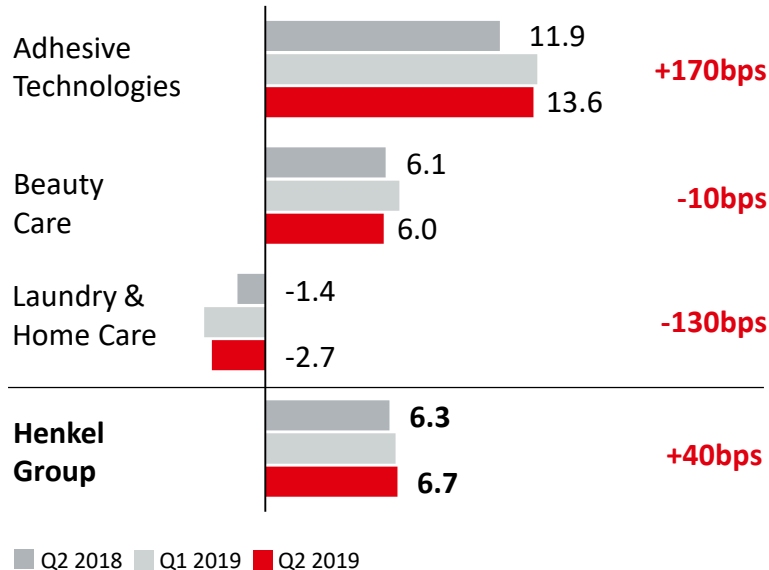


**Adjusted EPS in Q2 a high-single-digit % below prior year both nominally and at constant currencies**

<sup>1</sup> per preferred share

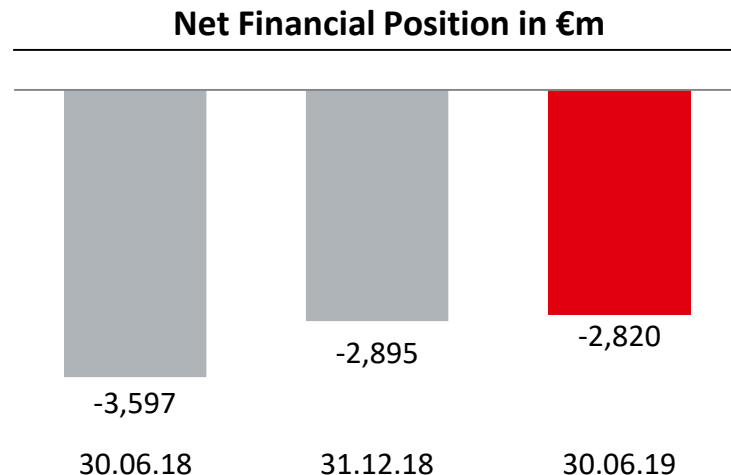
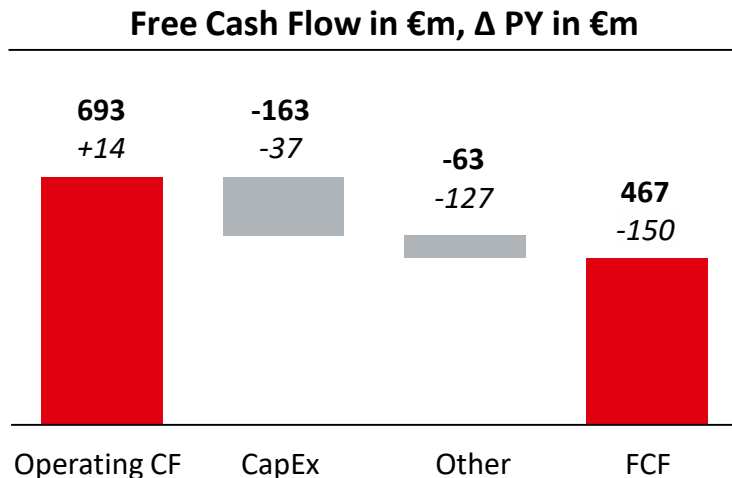
# Net Working Capital

in % of sales



- Measures progressing well in Adhesive Technologies, but weaker industrial demand with counteracting effect
- Beauty Care continues to move in the right direction, negative mix effects from higher share of Professional
- Measures to improve Net Working Capital with sizeable positive effects in Laundry & Home Care

# Strong Free Cash Flow and balance sheet



**Strong Free Cash Flow despite increased Capex, Q2/18 with positive effect from pension obligations  
Record H1 Free Cash Flow overcompensates increased dividend payout, Net Financial Position improved**

# Agenda

1. Key Developments Q2 2019
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# Key financials in first half 2019

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT %</u>	<u>Adjusted EPS Growth<sup>1</sup></u>
€ 10.1 bn	+0.1%	€ 1.6 bn	16.3%	-8.0%

## Organic Growth by Business Unit

Adhesive Technologies	-1.0%
Beauty Care	-2.3%
Laundry & Home Care	+3.3%

## Adjusted EBIT % by Business Unit

Adhesive Technologies	18.1%
Beauty Care	13.5%
Laundry & Home Care	16.9%

<sup>1</sup> At constant currencies; per preferred share

# Guidance 2019

	<b>FY 2019 – previously</b>	<b>FY 2019 – updated</b>
Organic Sales Growth	<b>2 - 4%</b>	<b>0 - 2%</b>
Adjusted EBIT Margin	<b>16 - 17%</b>	<b>16 - 17%</b>
Adjusted EPS (constant currencies)	<b>Mid-single-digit % below PY</b>	<b>Mid- to high single-digit % below PY</b>



# Business Priorities 2019

- Focus on capturing growth opportunities in Adhesive Technologies
- Reinforce Beauty Care Retail growth, solve China Retail and continue Professional performance
- Build on good H1 of Laundry & Home Care and strong execution of innovation strategy
- Continue to drive digitalization in all aspects
- Strong focus on cost discipline, driving efficiency and adapting structures
- Implement measures to improve Working Capital; expand Free Cash Flow
- Enhance value proposition of portfolio organically and via acquisitions

Q&A

# Mixed performance in challenging environment

- Robust results of Adhesive Technologies
- Beauty Care below expectations
- Good performance in Laundry & Home Care
- Strong cash management and balance sheet
- Outlook for 2019 updated
- Strongly committed to growth initiatives and investments



# Upcoming Events

- November 14, 2019                      Q3 2019 Earnings Release
- November 27, 2019                      Investor & Analyst Event Consumer Businesses, London
- March 05, 2020                              FY 2019 Earnings Release
- April 20, 2020                                Annual General Meeting

Thank You

# Guidance 2019

	FY 2019 – previously	FY 2019 – updated
Organic Sales Growth	<b>2 - 4%</b> All Business Units within Group range	<b>0 - 2%</b>
		Adhesive Technologies -1 - 1%
		Beauty Care -2 - 0%
		Laundry & Home Care 2 - 4%
Adjusted EBIT Margin	<b>16 - 17%</b>	<b>16 - 17%</b>
		Adhesive Technologies 18 - 19%
		Beauty Care 13 - 14%
		Laundry & Home Care 16.5 - 17.5%
Adjusted EPS (constant currencies)	<b>Mid-single-digit % below PY</b>	<b>Mid- to high single-digit % below PY</b>

# FY 2019: Additional input for selected KPIs

Currency Impact on Sales	no material impact
Prices for Direct Materials	low single digit % increase <sup>1</sup>
Restructuring Charges	€ 200 - 250 m
CapEx	€ 750 - 850 m

<sup>1</sup> versus the prior year

# New IFRS 16 Leases Standard

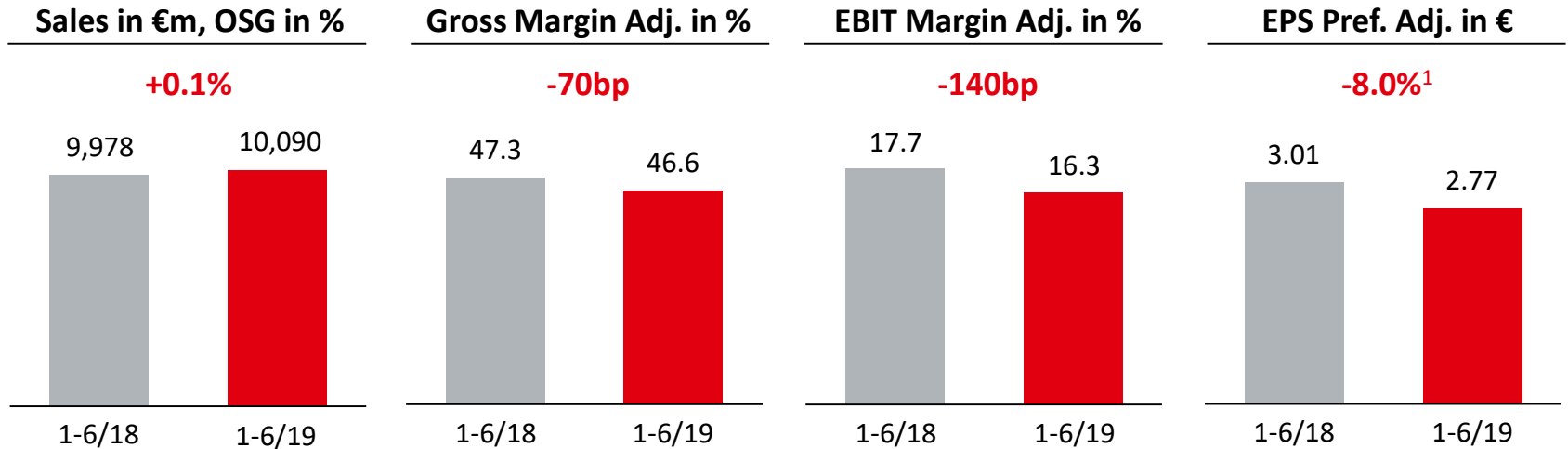
P&L impact from first-time application

	Q2/19 results	H1/19 results	Full Year 2019 (estimated)
<b>Sales</b>	No impact	No impact	No impact
Operating expense	€ +37 m	€ +74 m	Low triple-digit €m decrease
<b>EBITDA</b>	€ +37 m	€ +74 m	Low triple-digit €m increase
D&A	€ -33 m	€ -66 m	Low triple-digit €m increase
<b>Operating profit (EBIT)</b>	€ +4 m	€ +8 m	High single-digit to low double-digit €m increase
EBIT Margin	No material impact	No material impact	No material impact
<b>Financial result</b>	€ -4 m	€ -8 m	High single-digit to low double-digit €m decrease
<b>Net income</b>	No material impact	No material impact	No material impact



# Key performance indicators

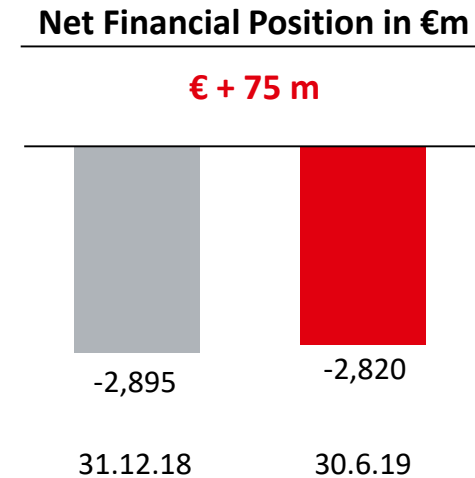
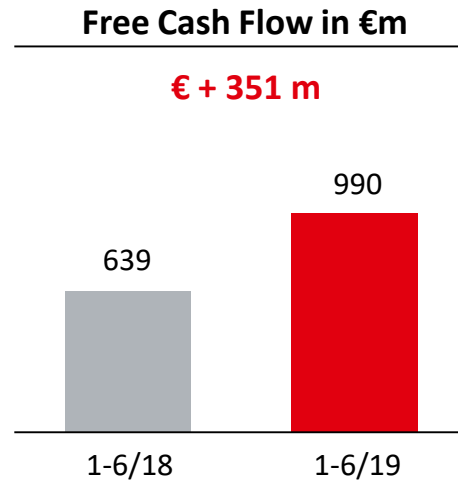
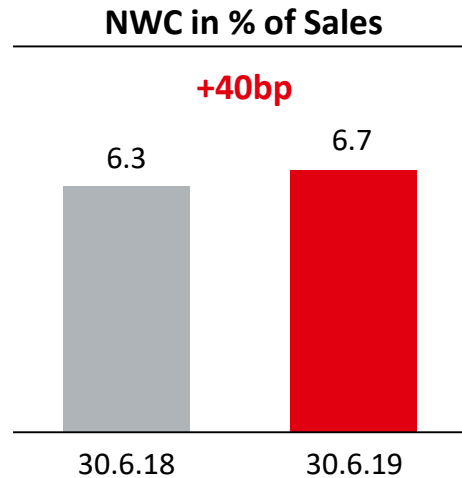
Key Financials 1-6/2019



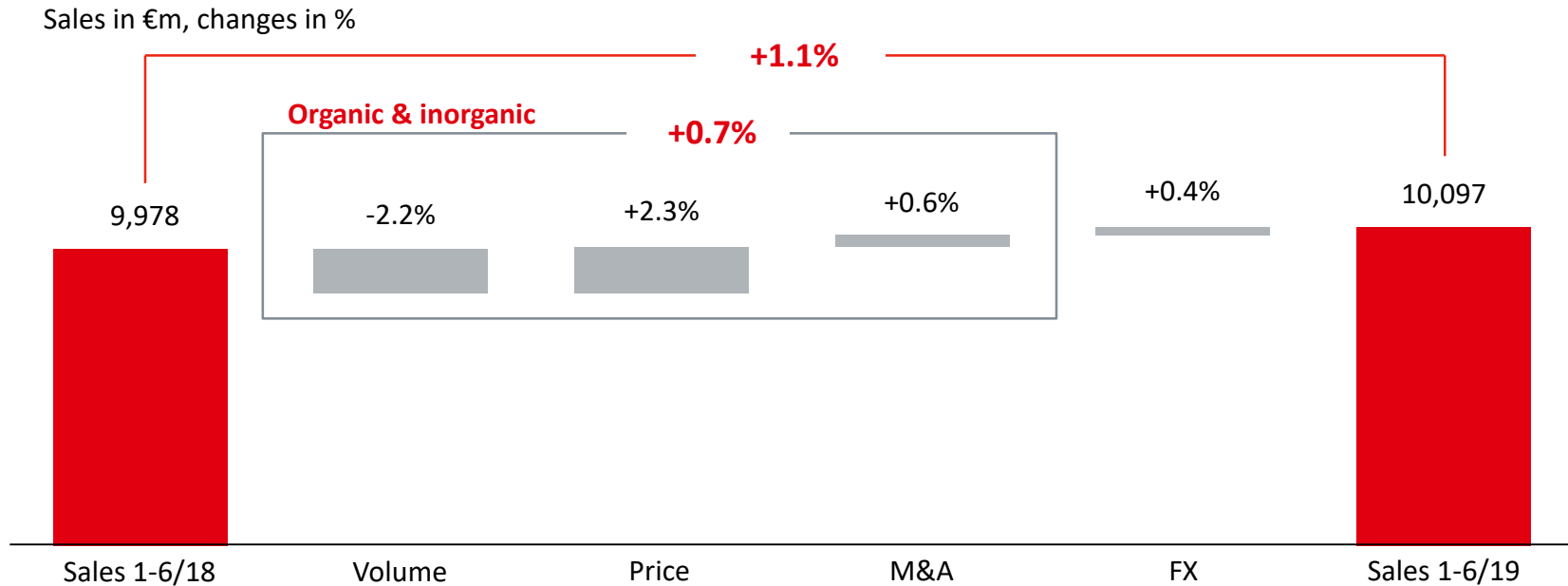
<sup>1</sup> At constant currencies

# Focus on disciplined cash management

Key Financials 1-6/2019



# Positive top-line growth



# Organic sales development by region

1-6/2019

## North America

**-2.2%**

€ 2,623 m (26%)

## Western Europe

**-1.6%**

€ 3,099 m (31%)

## Eastern Europe

**+7.3%**

€ 1,458 m (14%)

## Latin America

**+9.5%**

€ 672 m (7%)

## Africa/Middle East

**+15.0%**

€ 651 m (6%)

## Asia-Pacific

**-8.3%**

€ 1,525 m (15%)

**Emerging Markets: +3.0% to € 4,032 m, 40% of Group Sales**

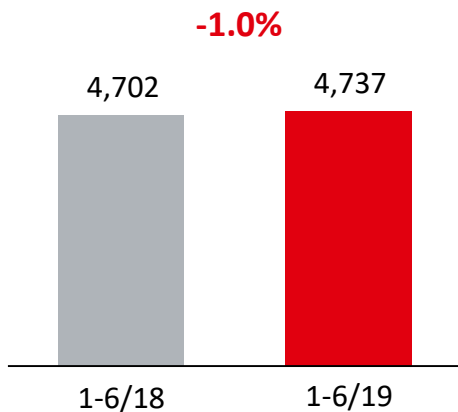
**Mature Markets: -1.8% to € 5,995 m**

**OSG in %**  
abs. in €m  
(share of total)

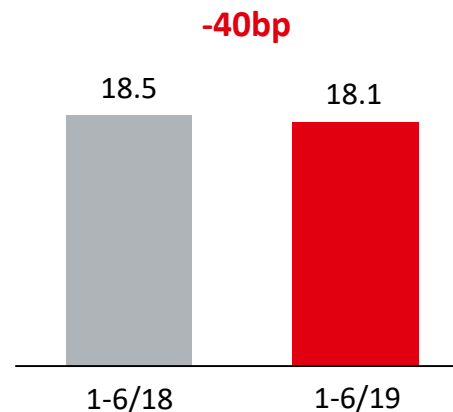
# Adhesive Technologies

Key Financials 1-6/2019

Sales in €m, OSG<sup>1</sup> in %



EBIT Margin Adj. in %

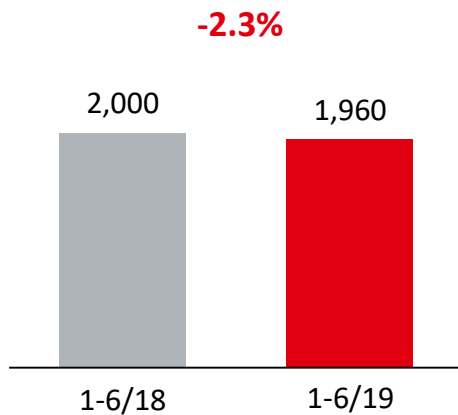


<sup>1</sup> Volume: -3.9% Price: 2.9%

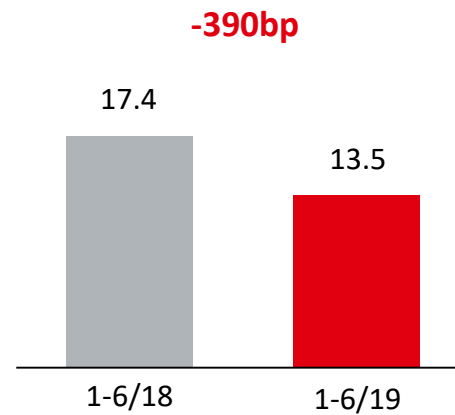
# Beauty Care

## Key Financials 1-6/2019

Sales in €m, OSG<sup>1</sup> in %



EBIT Margin Adj. in %

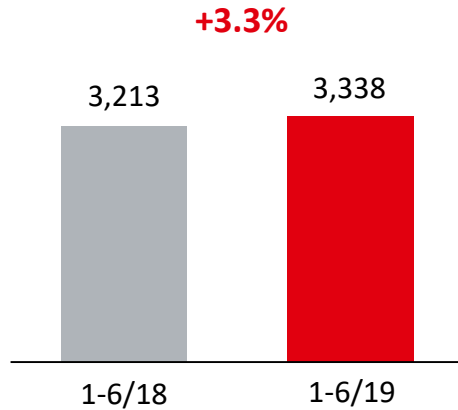


<sup>1</sup> Volume: -2.3% Price: 0.0%

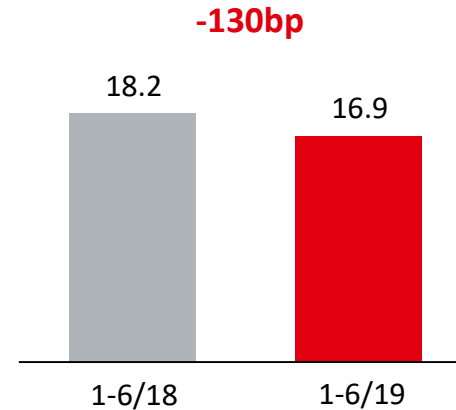
# Laundry & Home Care

Key Financials 1-6/2019

Sales in €m, OSG<sup>1</sup> in %



EBIT Margin Adj. in %



<sup>1</sup> Volume: 0.3% Price: 3.0%