



## News Release

November 14, 2019

Henkel confirms guidance for fiscal year 2019

### Differentiated performance in increasingly difficult market environment

- **Adhesive Technologies delivers robust performance**
- **Beauty Care below prior year**
- **Laundry & Home Care achieves good business development**
- **Group sales rise by 0.8% to 5,077 million euros, organic: -0.3%**
- **EBIT margin\* at 16.7% (-1.7 pp)**
- **Earnings per preferred share\* reach 1.43 euros, nominal -9.5%, at constant exchange rates -10.8%**
- **Increased investments in brands and digitalization**
- **Very strong free cash flow: 823 million euros (+339 million euros)**

Düsseldorf – In the **third quarter** of 2019, Henkel's business development was characterized by an increasingly difficult market environment. **Sales** rose nominally and were organically slightly below prior-year level. The **adjusted EBIT margin, adjusted EBIT** and **adjusted earnings per preferred share (EPS)** were below the level of the prior year, impacted mainly by additional growth investments in the consumer goods businesses and digitalization announced at the beginning of the year.

“In the third quarter, our business units reported a differentiated performance. The development of our **Adhesive Technologies** business unit was affected by a further significant decline in demand in key industries. Nevertheless, the business unit

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delivered a robust performance and the EBIT margin was again at a very high level,” said Henkel CEO Hans Van Bylen. “Despite first positive effects from our additional investments in brands and innovations, the development of the **Beauty Care** business was below the prior year. While the professional business maintained its positive development, our retail business was affected by a slower recovery in Western Europe and continued de-stocking in China as expected. In the **Laundry & Home Care** business, on the other hand, the successful launch of innovations contributed to the positive development.”

### **Outlook for fiscal year 2019 confirmed**

— For the fiscal year 2019, Henkel confirmed its outlook. Henkel continues to expect an organic sales growth of 0 to 2 percent for the Group. For **Adhesive Technologies**, Henkel expects an organic sales growth of -1 to 1 percent. For **Beauty Care**, Henkel anticipates an organic sales development of -2 to 0 percent. For **Laundry & Home Care**, Henkel continues to expect organic growth in the range of 2 to 4 percent.

— Henkel continues to expect **adjusted return on sales** on Group level in the range of 16 to 17 percent.

For **adjusted earnings per preferred share (EPS)**, Henkel continues to anticipate a development in the mid- to high single-digit percentage range below prior year at constant exchange rates.

### **Sales and earnings performance in the third quarter 2019**

— **Sales** in the third quarter 2019 rose nominally by 0.8 percent to 5,077 million euros. **Organic** sales, which exclude the impact of currency effects and acquisitions/divestments, showed a slightly negative development of -0.3 percent. The contribution from acquisitions and divestments amounted to 0.4 percent. Currency effects had a positive impact of 0.7 percent on sales growth.

The **Adhesive Technologies** business unit reported a negative organic development in sales of -2.4 percent. In the **Beauty Care** business unit, sales were organically -2.2 percent below the level of the prior-year quarter. The **Laundry & Home Care** business unit achieved a strong organic sales growth of 4.0 percent.

The **emerging markets** achieved good organic sales growth of 2.7 percent. The **mature markets** showed a negative organic sales development of -2.3 percent.

Sales in **Western Europe** showed a negative organic development of -2.1 percent. **Eastern Europe** achieved organic growth of 7.7 percent. In **Africa/Middle East**, sales grew organically by 19.1 percent. **North America** recorded negative organic sales development of -3.1 percent. In **Latin America**, sales declined organically by -3.4 percent. In the **Asia-Pacific** region, sales decreased organically by -5.7 percent.

**Adjusted operating profit (EBIT)** decreased by -8.2 percent from 926 million euros in the third quarter 2018 to 850 million euros.

**Adjusted return on sales (EBIT)** reached 16.7 percent, -1.7 percentage points below the prior-year quarter.

**Adjusted earnings per preferred share** decreased by -9.5 percent from 1.58 euros in the third quarter 2018 to 1.43 euros. At constant exchange rates, adjusted earnings per preferred share decreased by -10.8 percent.

**Net working capital** as a percentage of sales improved to 5.7 percent (third quarter 2018: 6.6 percent).

At 823 million euros, **free cash flow** in the third quarter of 2019 was substantially higher than in the same period of the previous year (484 million euros). This development is evidence of the company's ability to generate strong cash flow.

## Business unit performance

In the third quarter 2019, sales in the **Adhesive Technologies** business unit reached 2,395 million euros and increased by 0.9 percent compared to the level of the prior-year quarter. In a further weakening industrial production environment, particularly in automotive, **organic sales** development was -2.4 percent. At 458 million euros, **adjusted operating profit** was -1.7 percent below the prior-year quarter. **Adjusted return on sales** reached 19.1 percent and was below the level of the third quarter 2018.

In the **Beauty Care** business unit, **sales** in the third quarter 2019 showed an **organic** development of -2.2 percent. The business unit was still impacted by a slower recovery in a highly competitive market environment in Western Europe, and – as expected – continued de-stocking measures in the Chinese Retail business. In contrast, Beauty Care showed a positive development in North America. Nominally, sales were -2.3 percent below prior-year level, reaching 970 million euros. **Adjusted operating profit** reached 144 million euros and was -21.2 percent below the level of the third quarter 2018. **Adjusted return on sales** was likewise below the prior-year quarter and reached 14.8 percent, also due to additional growth investments.

The **Laundry & Home Care** business unit generated strong **organic sales** growth of 4.0 percent in the third quarter 2019, thanks to a double-digit increase in emerging markets. In contrast, the North American laundry care business remained under pressure. Nominally, sales increased by 2.5 percent to 1,682 million euros, after 1,641 million euros in the prior-year quarter. At 267 million euros, **adjusted operating profit** was -9.0 percent below the prior-year quarter. At 15.9 percent, **adjusted return on sales** was below the level of the third quarter 2018, mainly driven by higher growth investments as announced at the beginning of the year.

## Business performance in the first nine months of 2019

In the first nine months of 2019, Henkel generated **sales** of 15.2 billion euros, an increase of 1.0 percent. **Organic** sales, which exclude the impact of currency effects and acquisitions/divestments, were exactly at the level of the prior-year period. Foreign exchange effects contributed 0.5 percent to sales growth.

**Adjusted operating profit** decreased by -7.5 percent from 2,694 million euros to 2,491 million euros.

**Adjusted return on sales** was at 16.4 percent, after 17.9 percent in the first nine months of 2018.

**Adjusted earnings per preferred share** showed a negative development of -8.5 percent from 4.59 euros to 4.20 euros. At constant exchange rates, adjusted earnings per preferred share decreased by -8.9 percent.

In the first nine months of 2019, the **Adhesive Technologies** business unit showed a negative organic sales development of -1.5 percent. Adjusted return on sales was at 18.5 percent (previous year: 18.9 percent). The **Beauty Care** business unit showed an organic sales development of -2.3 percent. Adjusted return on sales was at 14.0 percent (previous year: 17.7 percent). The **Laundry & Home Care** business unit generated strong organic sales growth of 3.5 percent. Adjusted return on sales was at 16.6 percent (previous year: 18.1 percent).

Thanks to a strong cash management and improvements in net working capital, **free cash flow** reached a new record level in the first nine months of 2019. It rose by 690 million euros to 1,813 million euros.

Henkel's **net financial position** improved by almost one billion euros compared to the prior-year quarter. Effective September 30, 2019, it showed a balance of -2,256 million euros (September 30, 2018: -3,248 million euros).

## 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 around 20 billion euros and adjusted operating profit of around 3.5 billion euros. Henkel employs around 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](http://www.henkel.com).

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

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The statement for the third quarter of 2019 and other information with download material as well as the link to the teleconference broadcast can be found at:

[www.henkel.com/press](http://www.henkel.com/press)

[www.henkel.com/ir](http://www.henkel.com/ir)



## Key figures Q3 2019 and 1-9 2019

| in million euros   | Sales          |                | EBIT          |                 | EBIT margin     |               |
|--|----------------|----------------|---------------|-----------------|-----------------|---------------|
|  | Q3             | 1-9            | Q3            | 1-9             | Q3              | 1-9           |
| <b>Adhesive Technologies</b>                                 |                |                |               |                 |                 |               |
| 2019   | 2,395          | 7,126          | 452           | 1,277           | 18.9%           | 17.9%         |
| 2018   | 2,373          | 7,075          | 444           | 1,271           | 18.7%           | 18.0%         |
| organic growth   | -2.4%          | -1.5%          | -             | -               | -               | -             |
| 2019 adjusted <sup>1)</sup>                                  | -              | -              | 458           | 1,315           | 19.1%           | 18.5%         |
| 2018 adjusted <sup>1)</sup>                                  | -              | -              | 466           | 1,338           | 19.6%           | 18.9%         |
| <b>Beauty Care</b>   |                |                |               |                 |                 |               |
| 2019   | 970            | 2,933          | 91            | 325             | 9.4%            | 11.1%         |
| 2018   | 993            | 2,993          | 158           | 461             | 15.9%           | 15.4%         |
| organic growth   | -2.2%          | -2.3%          | -             | -               | -               | -             |
| 2019 adjusted <sup>1)</sup>                                  | -              | -              | 144           | 409             | 14.8%           | 14.0%         |
| 2018 adjusted <sup>1)</sup>                                  | -              | -              | 182           | 531             | 18.3%           | 17.7%         |
| <b>Laundry &amp; Home Care</b>                               |                |                |               |                 |                 |               |
| 2019   | 1,682          | 5,016          | 254           | 737             | 15.1%           | 14.7%         |
| 2018   | 1,641          | 4,854          | 248           | 713             | 15.1%           | 14.7%         |
| organic growth   | 4.0%           | 3.5%           | -             | -               | -               | -             |
| 2019 adjusted <sup>1)</sup>                                  | -              | -              | 267           | 832             | 15.9%           | 16.6%         |
| 2018 adjusted <sup>1)</sup>                                  | -              | -              | 294           | 879             | 17.9%           | 18.1%         |
| <b>Henkel</b>  |                |                |               |                 |                 |               |
| 2019   | 5,077          | 15,167         | 774           | 2,266           | 15.2%           | 14.9%         |
| 2018   | 5,037          | 15,015         | 833           | 2,386           | 16.5%           | 15.9%         |
| organic growth   | -0.3%          | 0.0%           | -             | -               | -               | -             |
| 2019 adjusted <sup>1)</sup>                                  | -              | -              | 850           | 2,491           | 16.7%           | 16.4%         |
| 2018 adjusted <sup>1)</sup>                                  | -              | -              | 926           | 2,694           | 18.4%           | 17.9%         |
| <b>Henkel</b>  |                |                |               |                 |                 |               |
|  | <b>Q3 2018</b> | <b>Q3 2019</b> | <b>Change</b> | <b>1-9 2018</b> | <b>1-9 2019</b> | <b>Change</b> |
| Earnings per preferred share in euros                        | 1.42           | 1.28           | -9.9%         | 4.05            | 3.79            | -6.4%         |
| Adjusted earnings per preferred share in euros <sup>1)</sup> | 1.58           | 1.43           | -9.5%         | 4.59            | 4.20            | -8.5%         |
| at constant exchange rates                                   |                |                | -10.8%        |                 |                 | -8.9%         |

Changes on the basis of figures in thousand euros

<sup>1)</sup> Adjusted for one-time charges/gains and restructuring expenses