

Henkel Q3 2019

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Agenda

1. Key Developments Q3 2019
2. Financials Q3 2019
3. Outlook FY 2019 & Summary

Intensifying macroeconomic challenges

Q3 2019

Slower industrial production growth

IPX weak across segments and regions, outlook continues to soften

Mixed currency environment

Slight currency tailwind, pressure from Emerging Market currencies persists

Intense HPC markets

Competitive environment remains intense, especially in Mature Markets

Easing commodity headwinds

Lower direct material price pressure, high geopolitical and economic risks

Key developments in Q3 2019

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT %	Adjusted EPS Growth ¹
€ 5.1 bn	-0.3%	€ 850 m	16.7%	-10.8%

- Nominal sales up 0.8% to € 5.1 bn, supported by positive currency and M&A effects
- Continued robust performance of Adhesive Technologies in an increasingly challenging industrial environment
- Beauty Care impacted by slower recovery in Western Europe, de-stocking in China continues as expected
- Good performance of Laundry & Home Care, double-digit growth in Emerging Markets
- Adj. EBIT Margin impacted by increased growth investments and direct material price pressure
- Adj. EPS below previous year, down by low double-digit percentage at constant currencies

¹ At constant currencies; per preferred share

Adhesive Technologies

Key Performance Indicators Q3 2019

Sales

€ 2.4 bn

Organic Growth

-2.4%

Adjusted EBIT

€ 458 m

Adjusted EBIT Margin

19.1%

LOCTITE

TECHNOMELT

TEROSON

Adhesive Technologies

Highlights Q3 2019

- **Semiconductor Industry**

Significant growth with high-performance solutions for electronics

- **Paper Solutions**

Strong growth with recyclable solutions for eCommerce deliveries

- **Construction Adhesives**

Strong growth with innovative solutions in Emerging Markets



Beauty Care

Key Performance Indicators Q3 2019

Sales

€ 1.0 bn

Organic Growth

-2.2%

Adjusted EBIT

€ 144 m

Adjusted EBIT Margin

14.8%



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Beauty Care

Highlights Q3 2019

- **North America Retail**

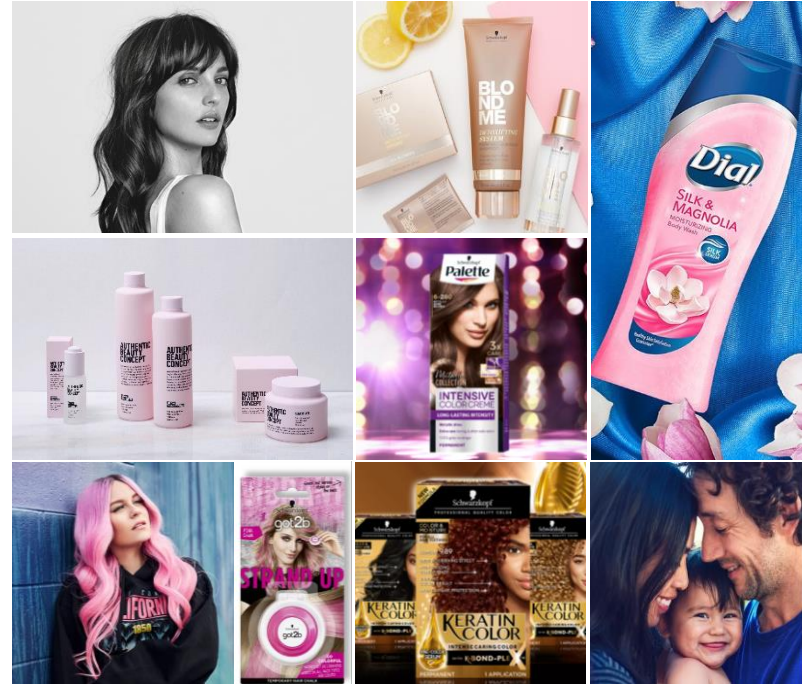
Strong organic sales growth driven by both Hair and Body categories

- **Hair Coloration Retail**

Good growth powered by successful core business and innovations

- **Hair Professional**

Continuous growth momentum thanks to base business and acquired brands



Laundry & Home Care

Key Performance Indicators Q3 2019

Sales

€ 1.7 bn

Organic Growth

+4.0%

Adjusted EBIT

€ 267 m

Adjusted EBIT Margin

15.9%

Persil



Bref

Laundry & Home Care

Highlights Q3 2019

- **Megabrand Persil**

Double-digit growth driven by strong launch start of Persil DISCS & Persil Premium roll-out

- **Hand Dishwashing**

Double-digit growth driven by Pril 5 and local activation with continuous marketing support

- **Eastern Europe**

Strong initiatives in both Laundry Care and Home Care leading to double-digit growth

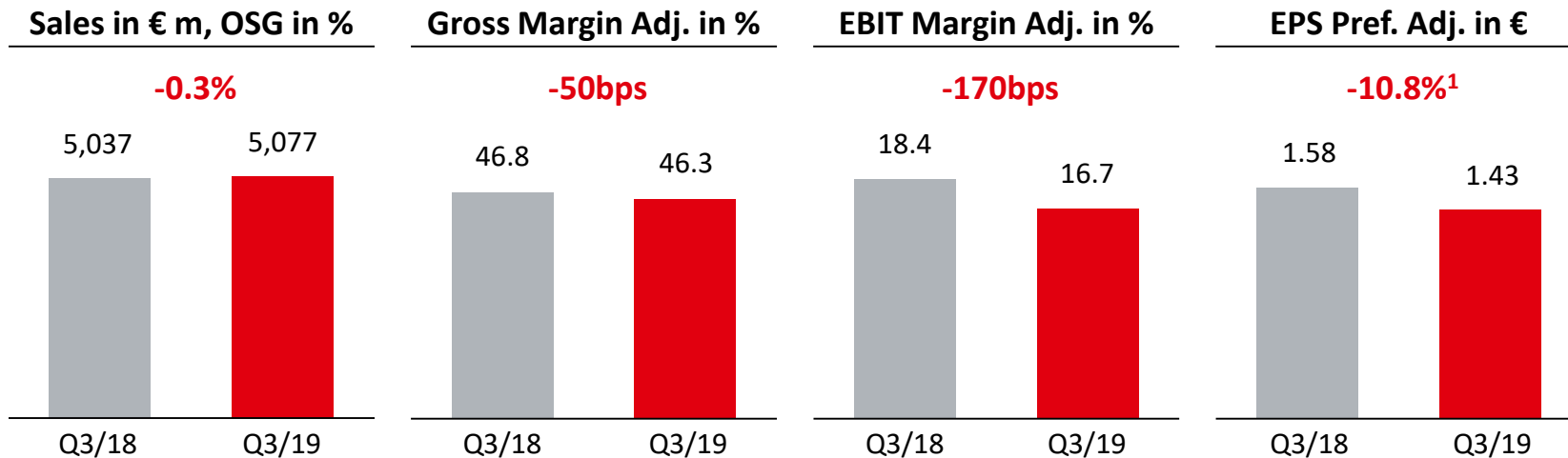


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1. Key Developments Q3 2019
2. **Financials Q3 2019**
3. Outlook FY 2019 & Summary

Key performance indicators

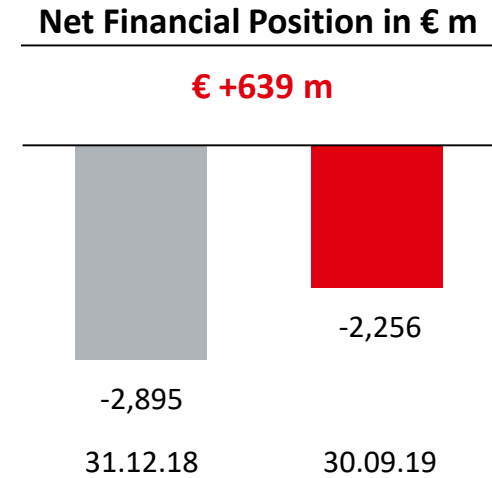
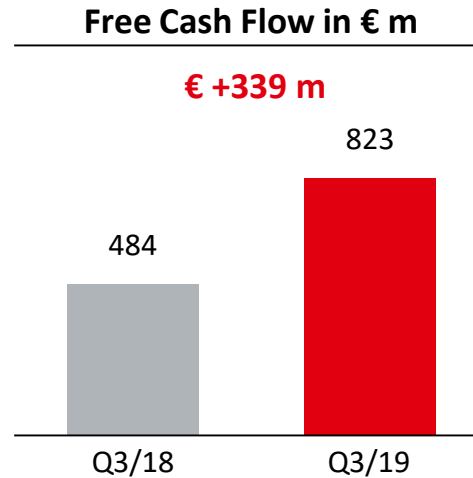
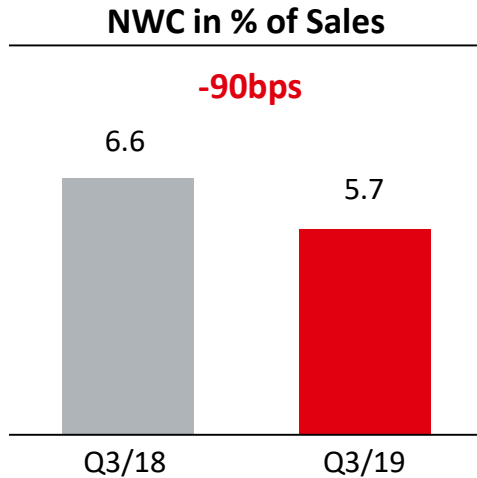
Q3 2019



¹ At constant currencies

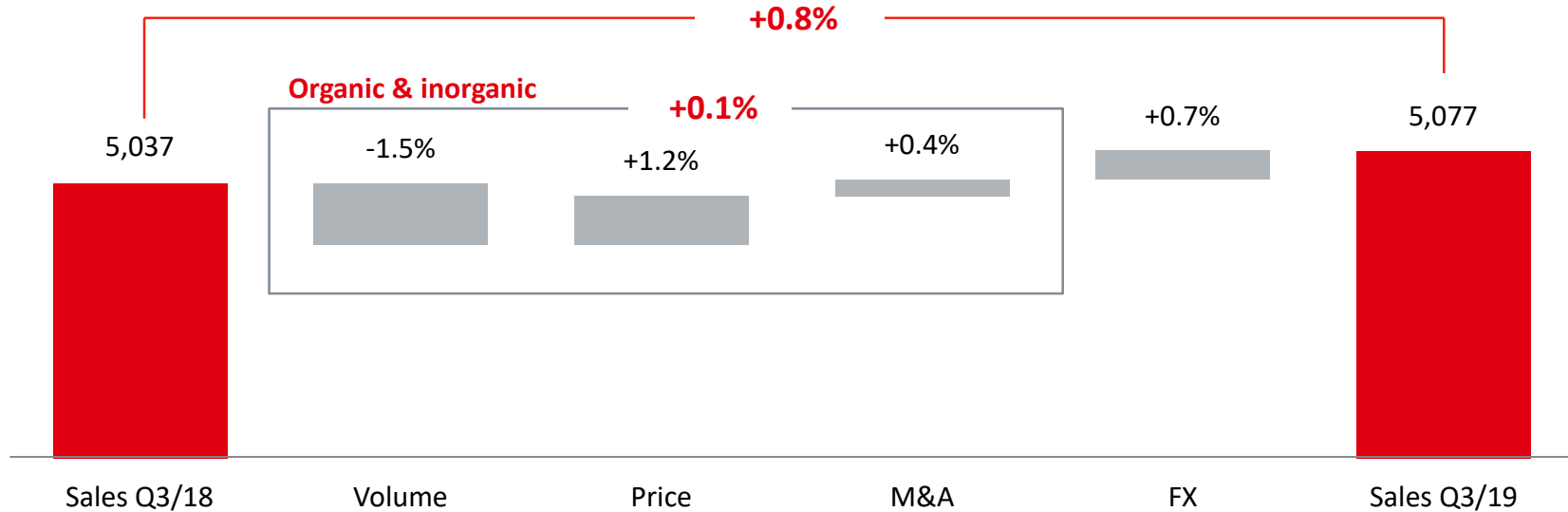
Focus on disciplined cash management

Key Financials Q3 2019



Top-line development and drivers

Sales in € m, changes in %



Organic sales development by region

Q3 2019

North America

-3.1%

€ 1,328 m (26%)

Western Europe

-2.1%

€ 1,485 m (29%)

Eastern Europe

+7.7%

€ 815 m (16%)

Latin America

-3.4%

€ 299 m (6%)

Africa/Middle East

+19.1%

€ 325 m (6%)

Asia-Pacific

-5.7%

€ 796 m (16%)

Emerging Markets: +2.7% to € 2,085 m, 41% of Group Sales

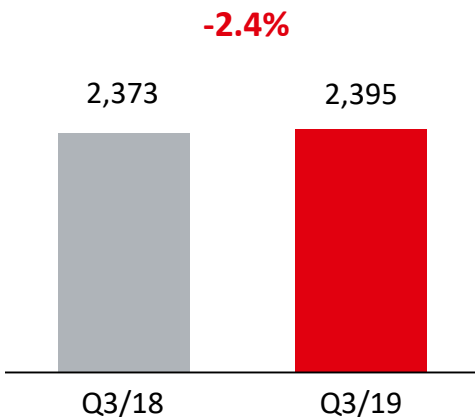
Mature Markets: -2.3% to € 2,962 m

OSG in %
abs. in € m
(share of total)

Adhesive Technologies

Key Financials Q3 2019

Sales in € m, OSG¹ in %

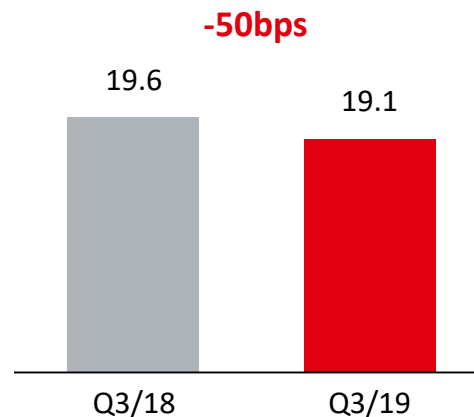


Drivers of Performance

Organic sales development
impacted by increasingly
challenging industrial environment,
particularly in Automotive

EBIT margin slightly lower
due to negative volumes and mix
effects, partly compensated by
efficiency measures and pricing

EBIT Margin Adj. in %

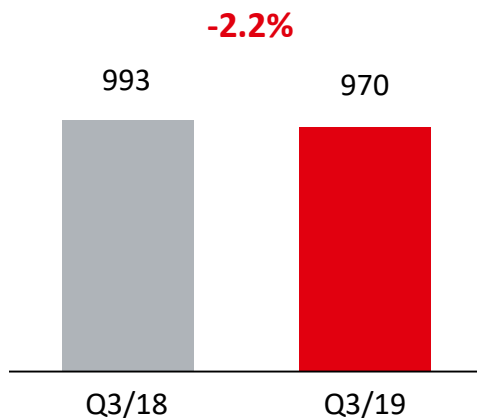


¹ Volume: -3.1% Price: 0.7%

Beauty Care

Key Financials Q3 2019

Sales in € m, OSG¹ in %

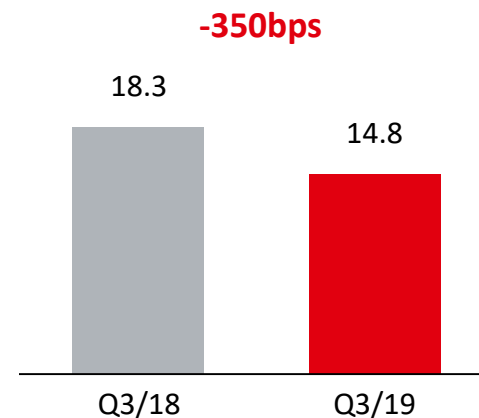


Drivers of Performance

Organic sales development
impacted by Western Europe and continued de-stocking in China, first signs of improvement in North America

Profitability impacted
by negative volumes, increased investments into growth initiatives and direct material price pressure, support from cost efficiency measures

EBIT Margin Adj. in %

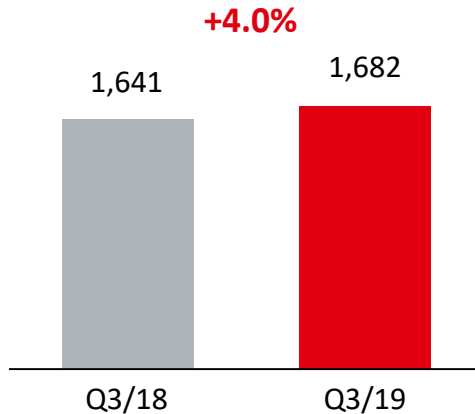


¹ Volume: -1.2% Price: -1.0%

Laundry & Home Care

Key Financials Q3 2019

Sales in € m, OSG¹ in %

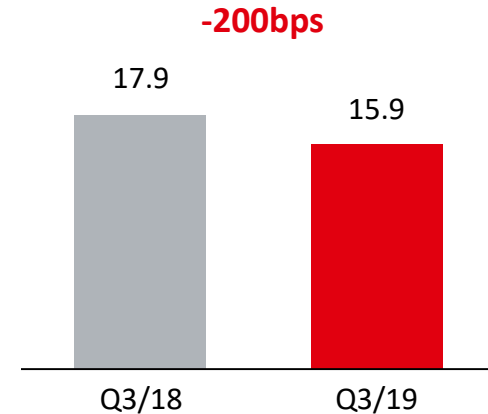


Drivers of Performance

Strong organic sales performance
driven by double-digit growth in Eastern Europe and Middle East / Africa, over-compensating negative North America

EBIT margin below previous year
due to increased investments and direct material price pressure, support from cost efficiency measures and pricing

EBIT Margin Adj. in %

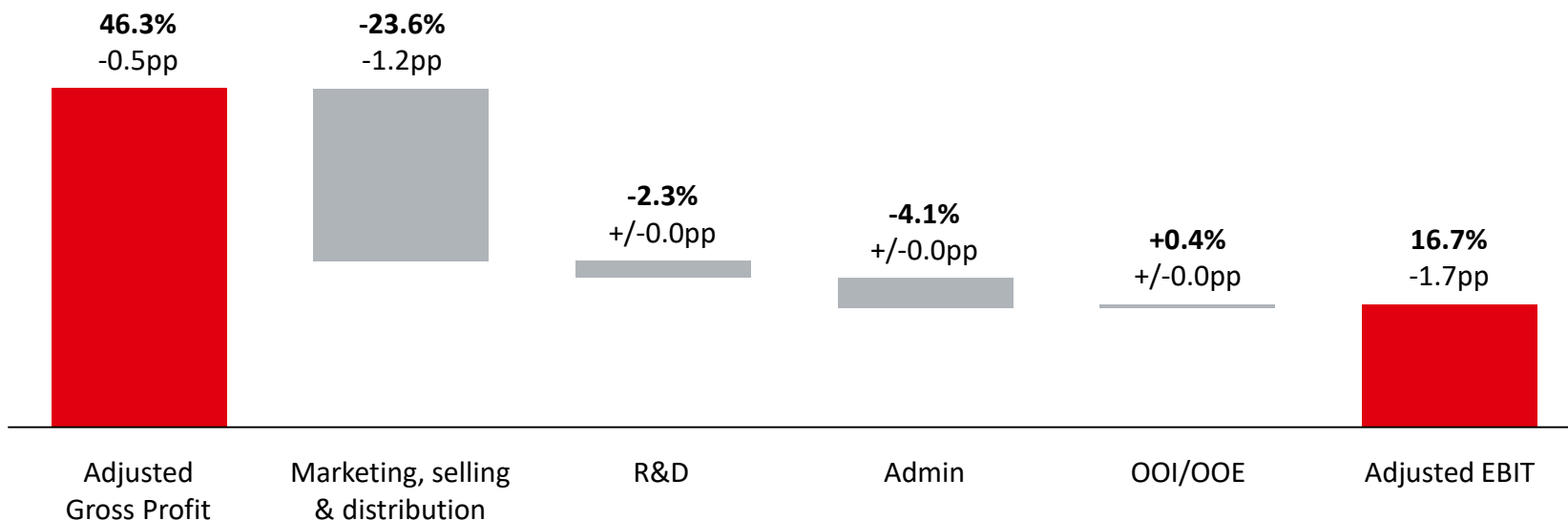


¹ Volume: +0.6% Price: 3.4%

Adjusted Gross Profit to Adjusted EBIT

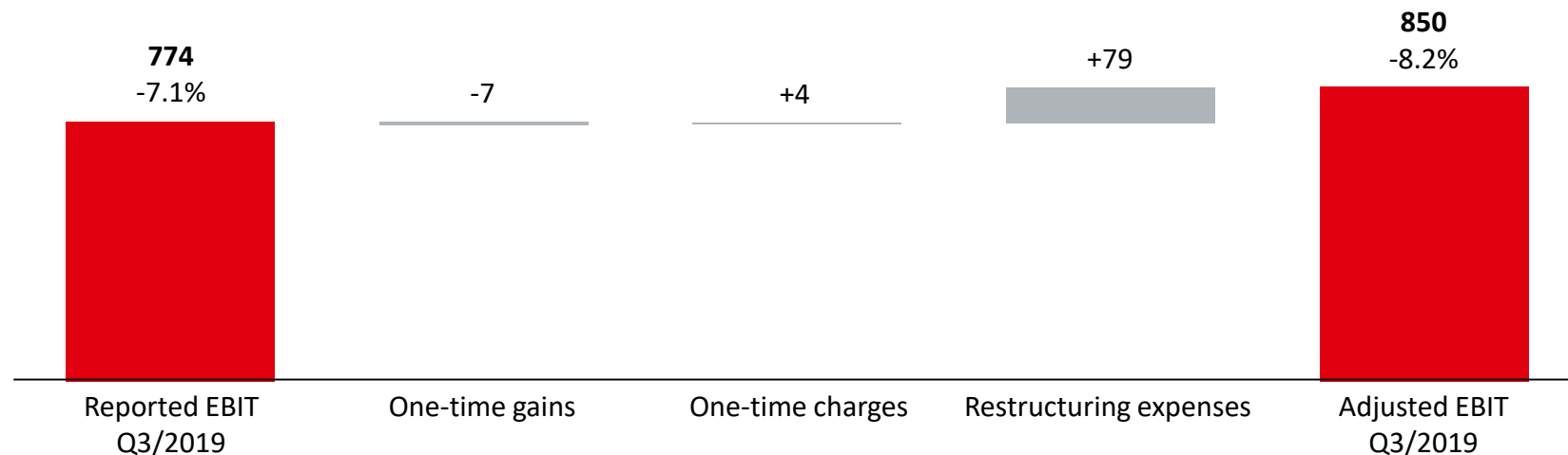
in % of sales

Impact on Adjusted EBIT Margin in pp vs. PY



Adaptation of our structures to the market

in € m, change in %

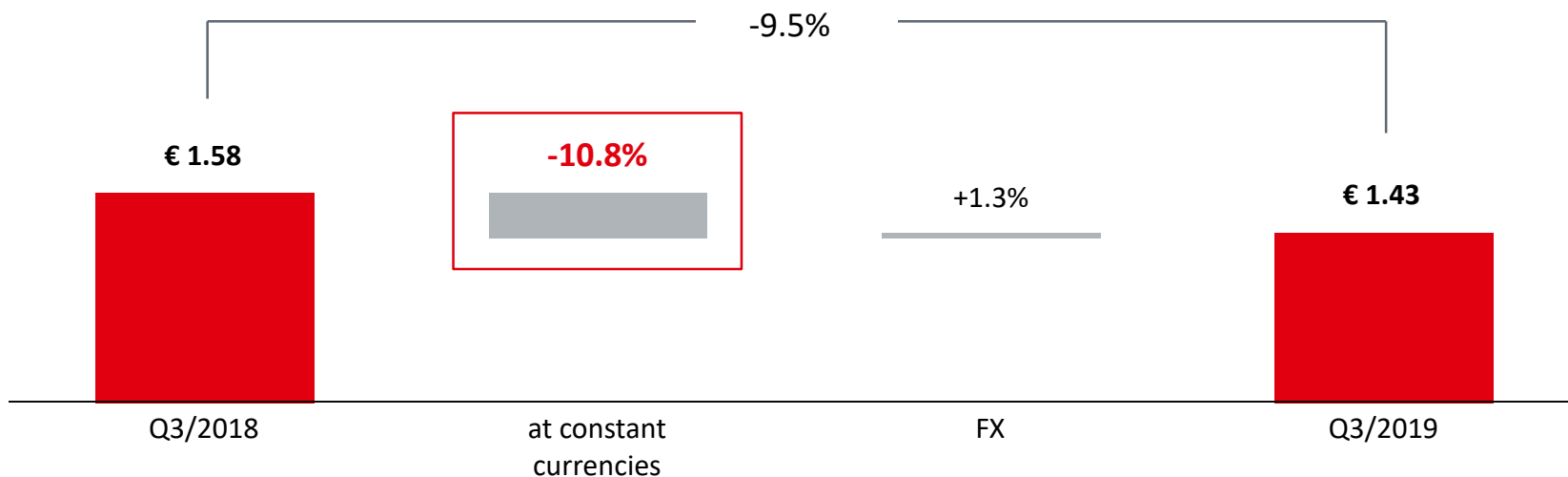


Focus of restructuring measures in Q3 2019 on adapting go-to-market approach

Restructuring expenses of € 250 – 300 m expected in FY 2019

Adjusted EPS development ¹

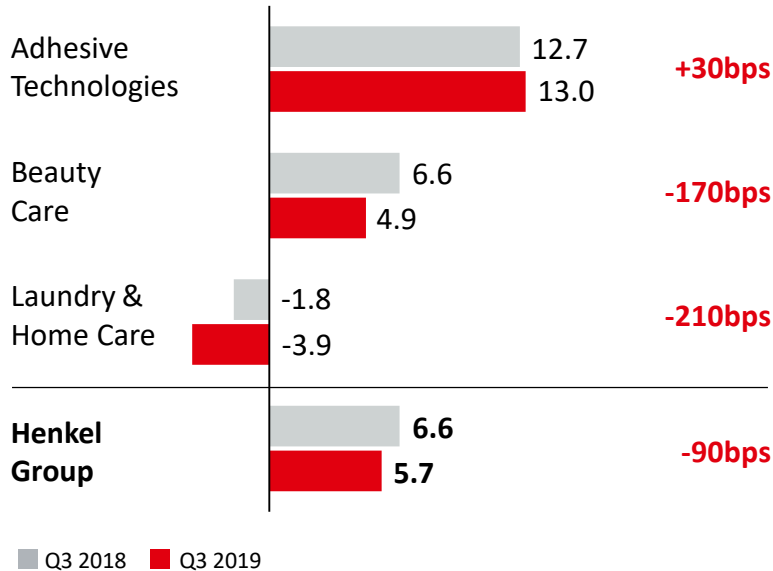
Q3 2019



¹ per preferred share

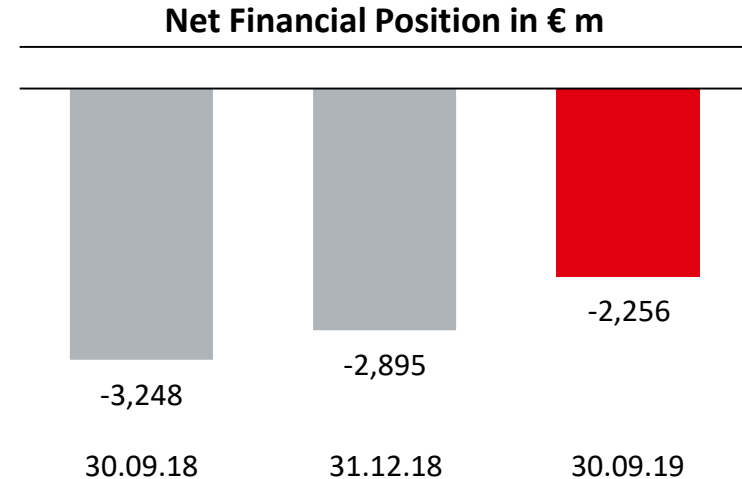
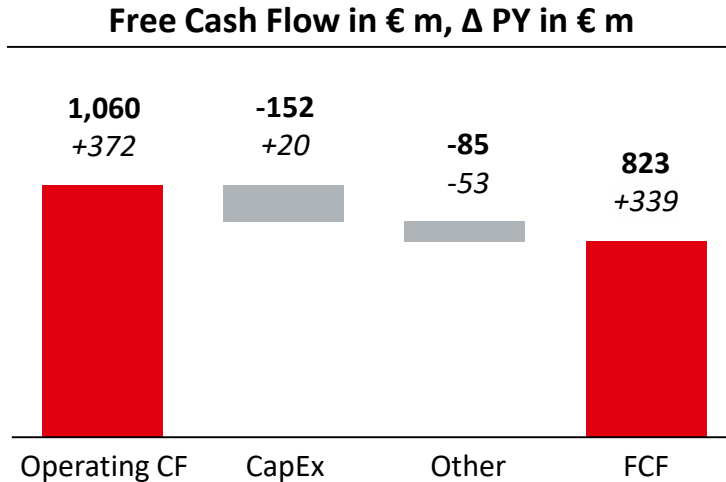
Net Working Capital improved in Q3 2019

in % of sales



- Net Working Capital in Adhesive Technologies slightly up, weaker industrial demand almost compensated by countermeasures
- In our Consumer Businesses, Net Working Capital improved thanks to measures implemented

Very strong Free Cash Flow and balance sheet



Record Free Cash Flow for the quarter and the first nine months driven by very strong Operating Cash Flow
Net Financial Position improved by € 1 bn y-o-y, balance sheet continues to be strong

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Financial results in 1-9/2019

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT %</u>	<u>Adjusted EPS Growth¹</u>
€ 15.2 bn	0.0%	€ 2.5 bn	16.4%	-8.9%

Organic Growth by Business Unit

Adhesive Technologies	-1.5%
Beauty Care	-2.3%
Laundry & Home Care	+3.5%

Adjusted EBIT % by Business Unit

Adhesive Technologies	18.5%
Beauty Care	14.0%
Laundry & Home Care	16.6%

¹ At constant currencies; per preferred share

Guidance 2019 confirmed

	FY 2019
Organic Sales Growth	0 - 2%
Adjusted EBIT Margin	16 - 17%
Adjusted EPS (constant currencies)	Mid- to high single-digit % below PY

Business Priorities

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

Q&A

Differentiated performance in challenging environment

- Robust results of Adhesive Technologies
- Beauty Care below previous year
- Good performance in Laundry & Home Care
- Further progress in executing growth initiatives
- Very strong cash management and balance sheet
- Outlook for 2019 confirmed



Thank You

Upcoming Events

- March 5, 2020 FY 2019 Earnings Release / Investor & Analyst Conference
- April 20, 2020 Annual General Meeting
- May 11, 2020 Q1 2020 Earnings Release
- August 6, 2020 Q2 2020 Earnings Release
- November 10, 2020 Q3 2020 Earnings Release

Guidance 2019 confirmed

	FY 2019	
Organic Sales Growth	Henkel Group	0 - 2%
	Adhesive Technologies	-1 - 1%
	Beauty Care	-2 - 0%
	Laundry & Home Care	2 - 4%
Adjusted EBIT Margin	Henkel Group	16 - 17%
	Adhesive Technologies	18 - 19%
	Beauty Care	13 - 14%
	Laundry & Home Care	16.5 - 17.5%
Adjusted EPS (constant currencies)	Mid- to high single-digit % below PY	

FY 2019: Additional input for selected KPIs

Currency Impact on Sales	no material impact
Prices for Direct Materials	low single digit % increase ¹
Restructuring Charges	€ 250 - 300 m
CapEx	€ 650 - 700 m

¹ versus the prior year

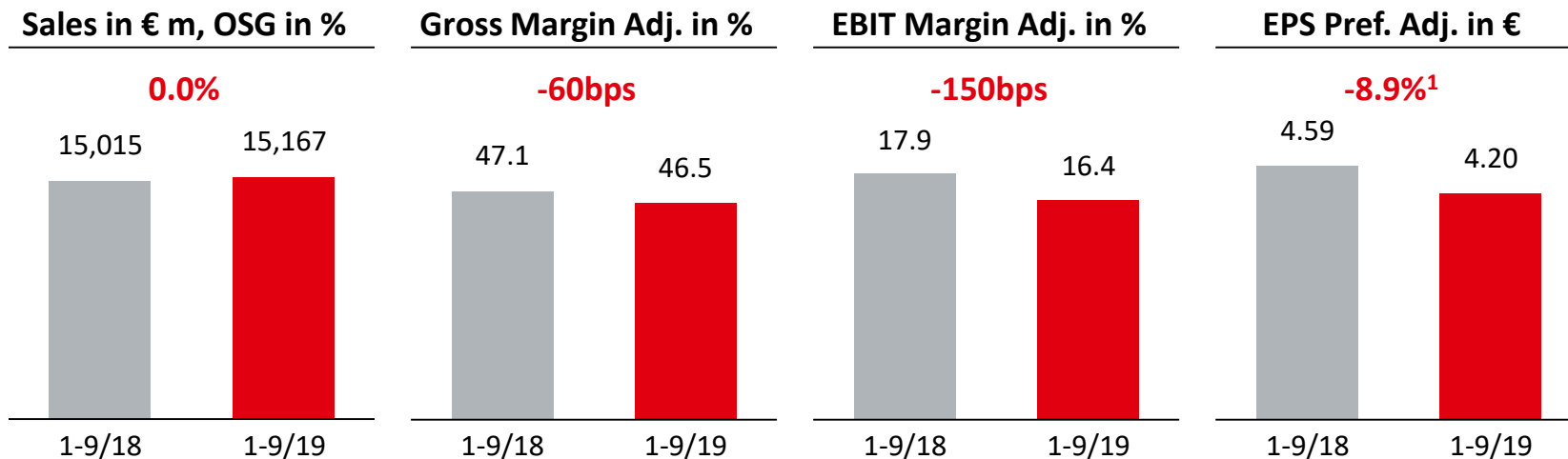
New IFRS 16 Leases Standard

P&L impact from first-time application

	Q3/19 results	9M/19 results	Full Year 2019 (estimated)
Sales	No impact	No impact	No impact
Operating expense	€ +38 m	€ +112 m	Low triple-digit €m decrease
EBITDA	€ +38 m	€ +112 m	Low triple-digit €m increase
D&A	€ -34 m	€ -100 m	Low triple-digit €m increase
Operating profit (EBIT)	€ +4 m	€ +12 m	Low double-digit €m increase
EBIT Margin	No material impact	No material impact	No material impact
Financial result	€ -4 m	€ -12 m	Low double-digit €m decrease
Net income	No material impact	No material impact	No material impact

Key performance indicators

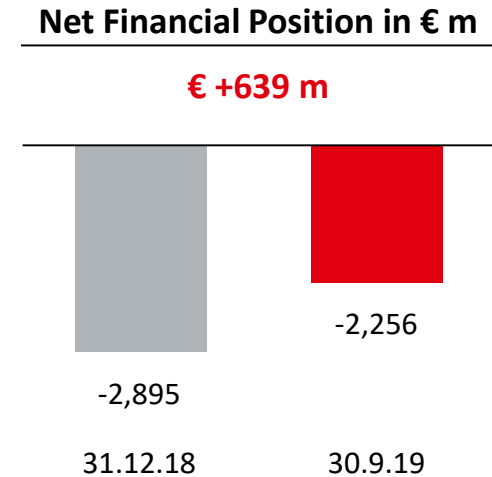
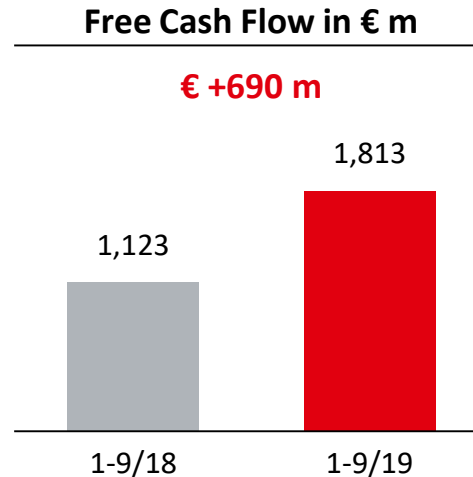
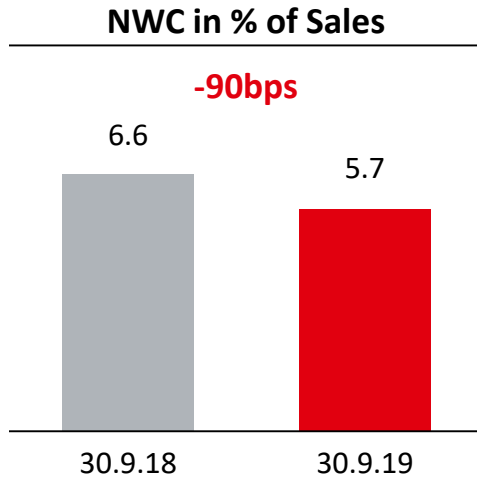
Key Financials 1-9/2019



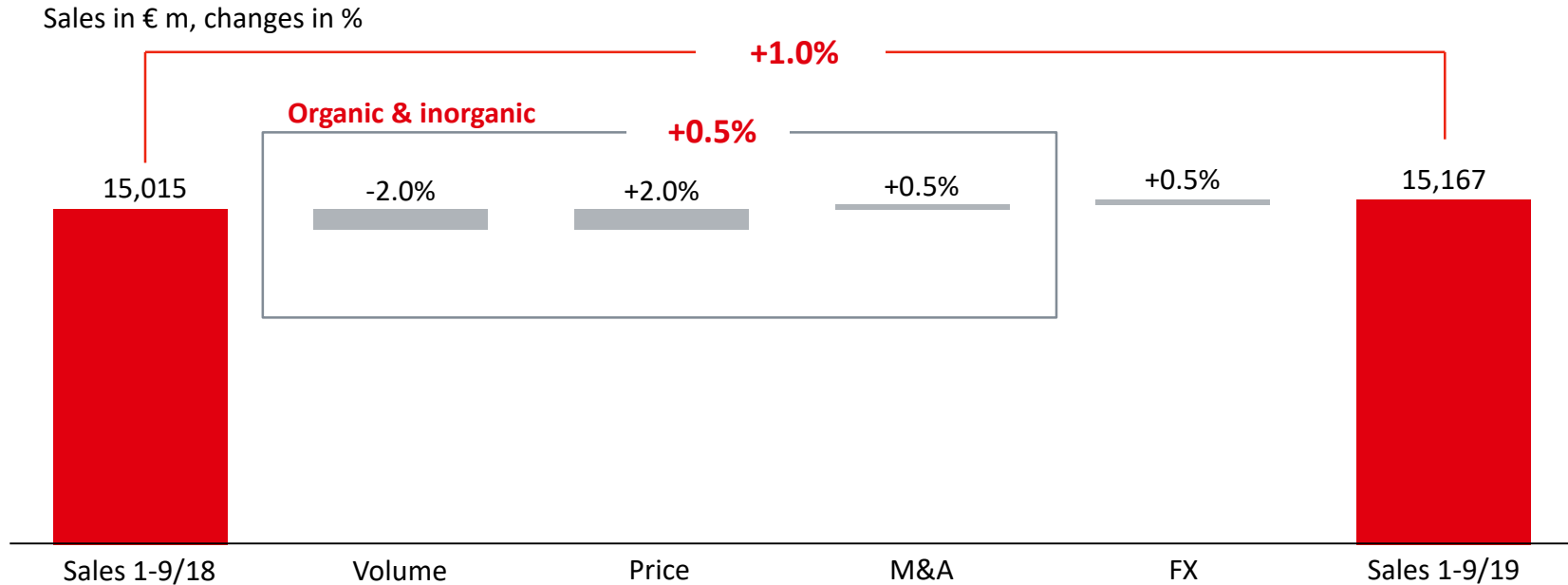
¹ At constant currencies

Focus on disciplined cash management

Key Financials 1-9/2019



Positive top-line growth



Organic sales development by region

1-9/2019

North America

-2.5%

€ 3,951 m (26%)

Western Europe

-1.7%

€ 4,583 m (30%)

Eastern Europe

+7.4%

€ 2,273 m (15%)

Latin America

+5.2%

€ 970 m (6%)

Africa/Middle East

+16.3%

€ 976 m (7%)

Asia-Pacific

-7.4%

€ 2,321 m (15%)

Emerging Markets: +2.9% to € 6,118 m, 40% of Group Sales

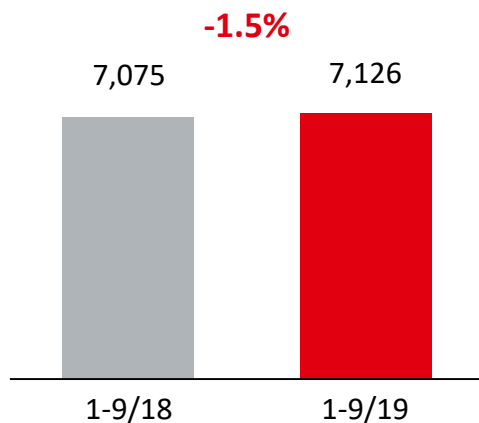
Mature Markets: -2.0% to € 8,957 m

OSG in %
abs. in € m
(share of total)

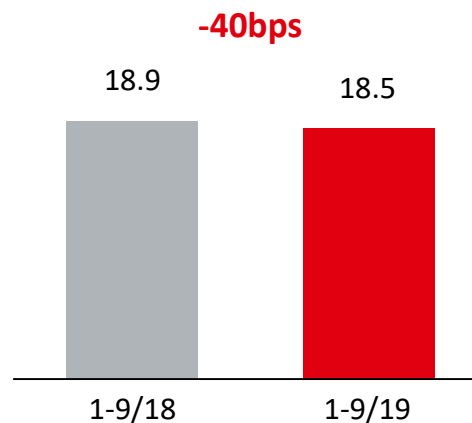
Adhesive Technologies

Key Financials 1-9/2019

Sales in € m, OSG¹ in %



EBIT Margin Adj. in %

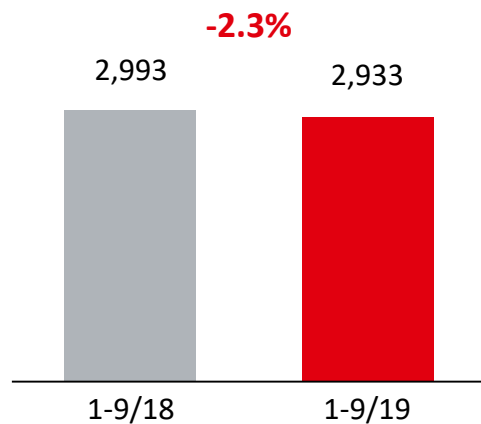


¹ Volume: -3.7% Price: 2.2%

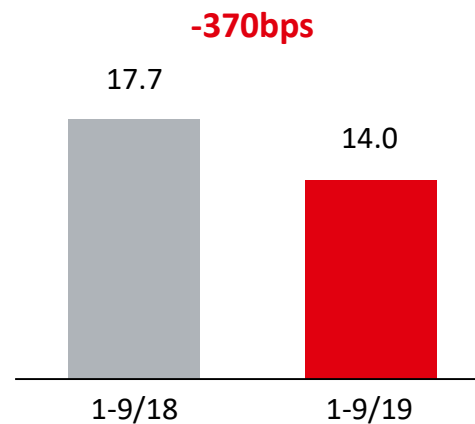
Beauty Care

Key Financials 1-9/2019

Sales in € m, OSG¹ in %



EBIT Margin Adj. in %

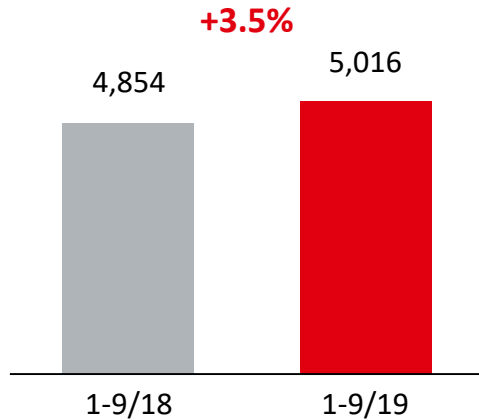


¹ Volume: -1.9% Price: -0.4%

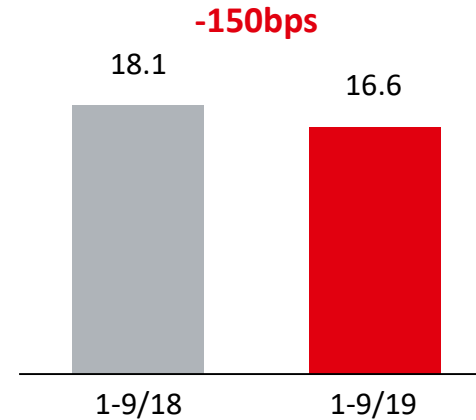
Laundry & Home Care

Key Financials 1-9/2019

Sales in € m, OSG¹ in %



EBIT Margin Adj. in %



¹ Volume: 0.3% Price: 3.2%