



# HENKEL Q1 2022 & UPDATE CONSUMER BRANDS

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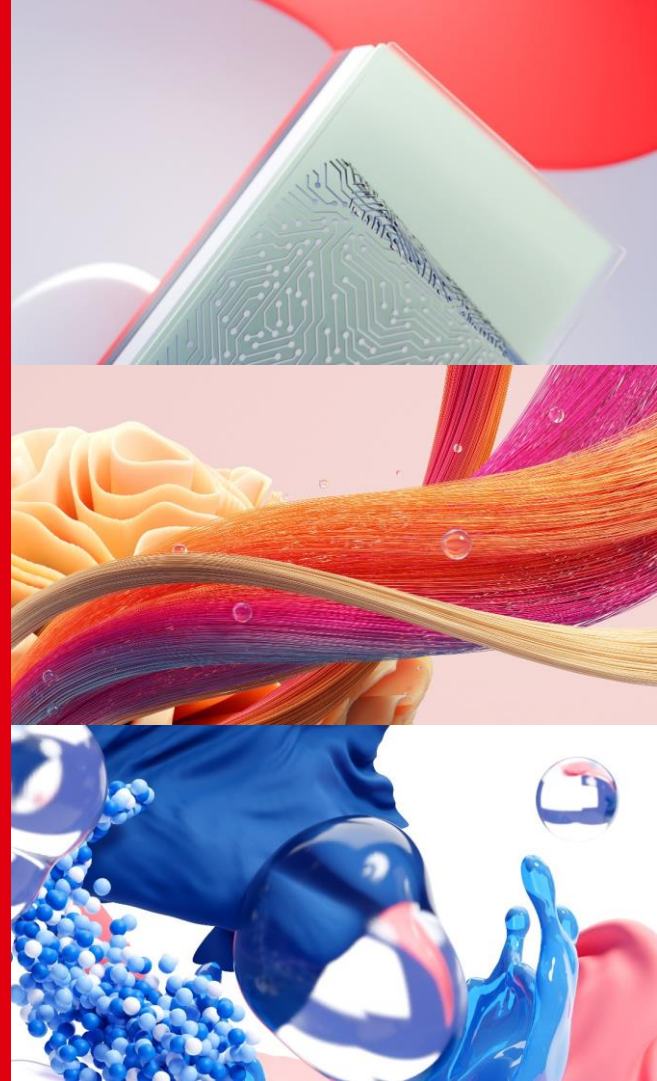
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# AGENDA

- 01 **Key Developments**
- 02 Business Performance Q1 2022 & Outlook
- 03 Update Consumer Brands
- 04 Key Take-Aways & Closing



# KEY TOPICS TODAY



## STRONG Q1 SALES PERFORMANCE & UPDATED OUTLOOK 2022

- Significant organic sales growth of 7.1 percent driven by pricing across all business units and regions
- Updated outlook for 2022<sup>1</sup> reflecting drastic direct materials headwinds and impacts from war in Ukraine

## CREATION OF HENKEL CONSUMER BRANDS WELL ON TRACK

- Merger of consumer businesses Laundry & Home Care and Beauty Care to fuel growth and profitability
- Significant synergies targeted: ~500 million euros gross savings mid-term, implementation in two phases

# SIGNIFICANT ORGANIC SALES GROWTH IN Q1 2022

## HENKEL GROUP



ORGANIC SALES GROWTH

**7.1%**

PRICE: 9.4%  
VOLUME: -2.3%

NOMINAL SALES

**€ 5.3bn**

## ADHESIVE TECHNOLOGIES



**10.7%**

PRICE: 10.6%  
VOLUME: 0.1%

**€ 2.6bn**

## BEAUTY CARE



**-1.2%**

PRICE: 5.1%  
VOLUME: -6.3%

**€ 0.9bn**

## LAUNDRY & HOME CARE



**4.9%**

PRICE: 10.1%  
VOLUME: -5.2%

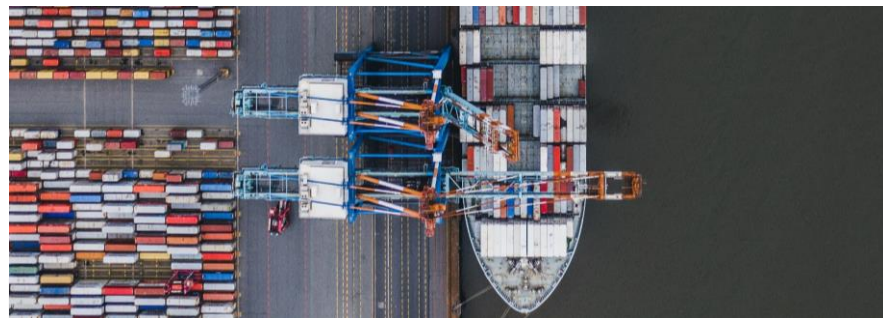
**€ 1.7bn**



# MANAGING BUSINESS IN UNPRECEDENTED ENVIRONMENT

## WAR IN UKRAINE WITH BROAD IMPACTS

- Exiting business in Russia and Belarus and impact on business in Ukraine
- Intensifying exceptionally tense situation on raw material markets and global supply chains

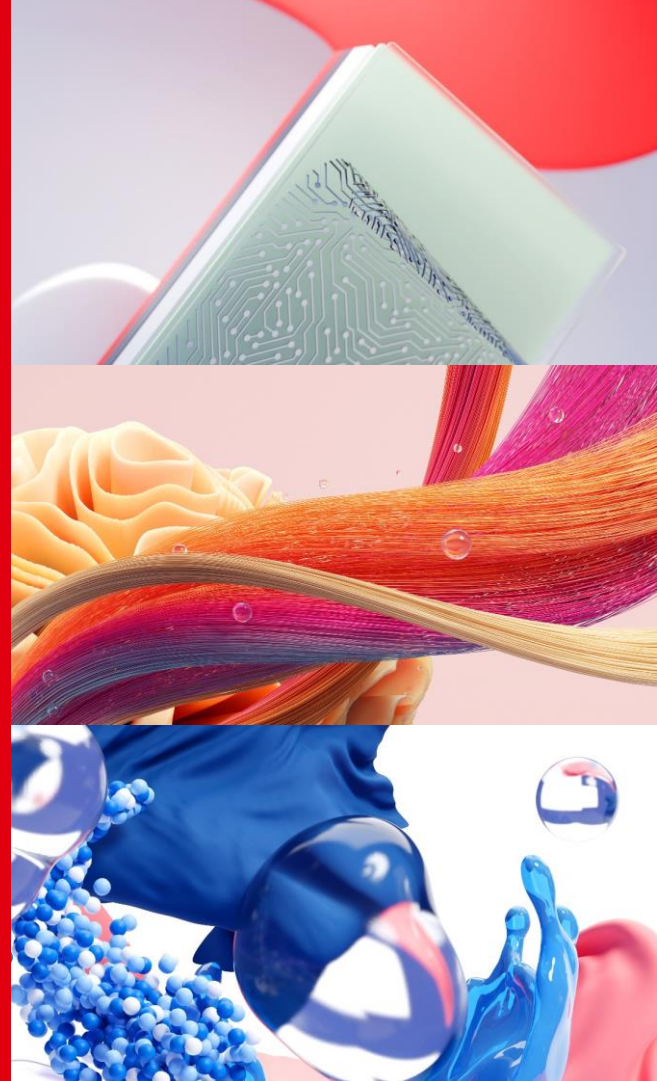


## DRASTIC INPUT COST INFLATION & SUPPLY CHAIN HEADWINDS

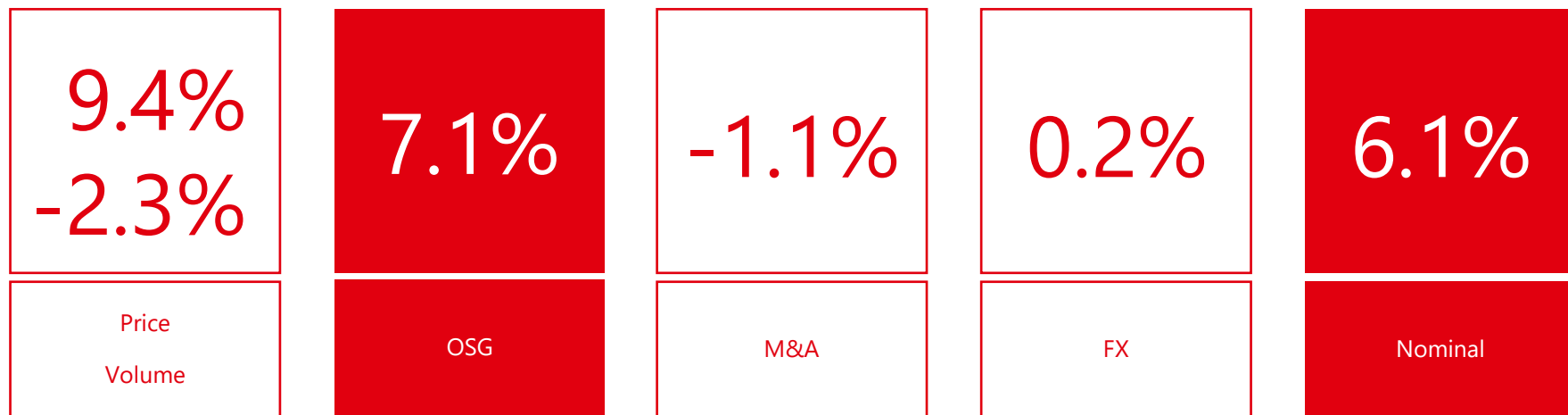
- Unseen acceleration of raw material and logistic prices
- Supply challenges including COVID lockdowns in China, war in Ukraine and shortages of input materials

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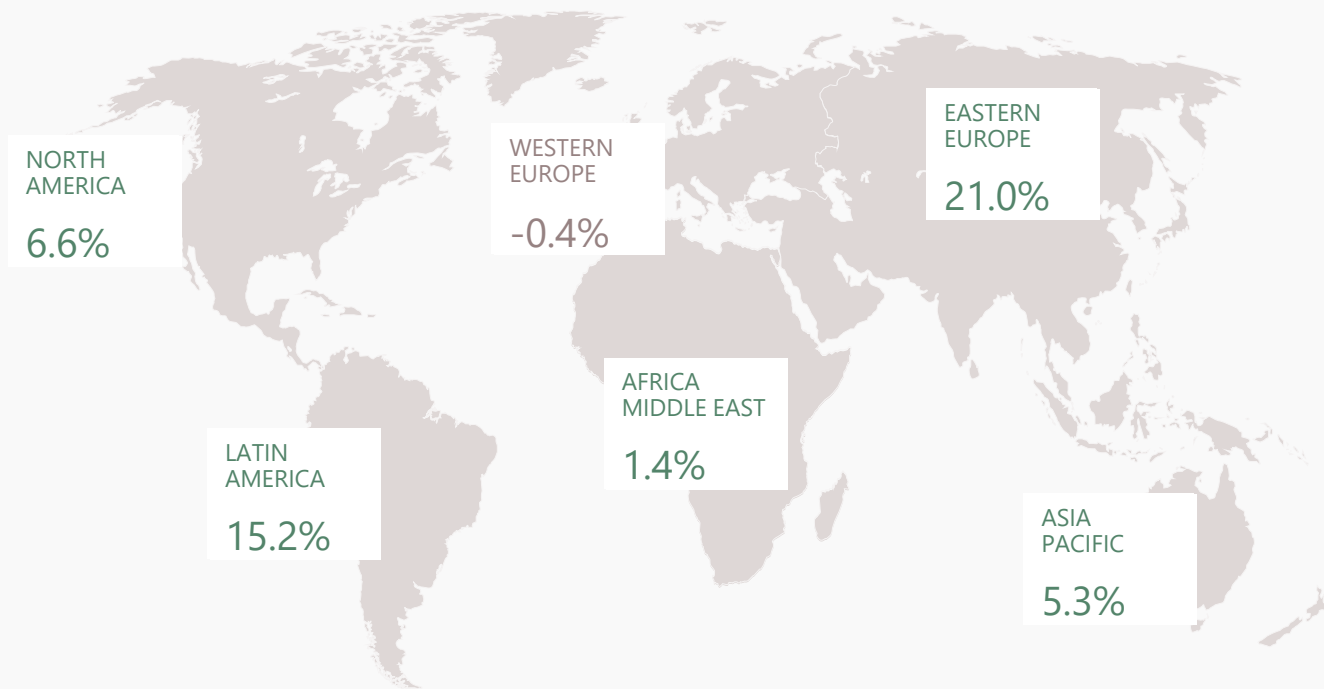
# ORGANIC SALES GROWTH DRIVEN BY STRONG PRICING



- Significant organic sales growth in still highly challenging environment driven by strong pricing across all business units
- Nominal sales increased to €5.3 billion



# BROAD-BASED ORGANIC SALES GROWTH



MATURE  
MARKETS

3.1%

EMERGING  
MARKETS

11.4%

# ADHESIVE TECHNOLOGIES

ORGANIC  
SALES GROWTH

10.7%

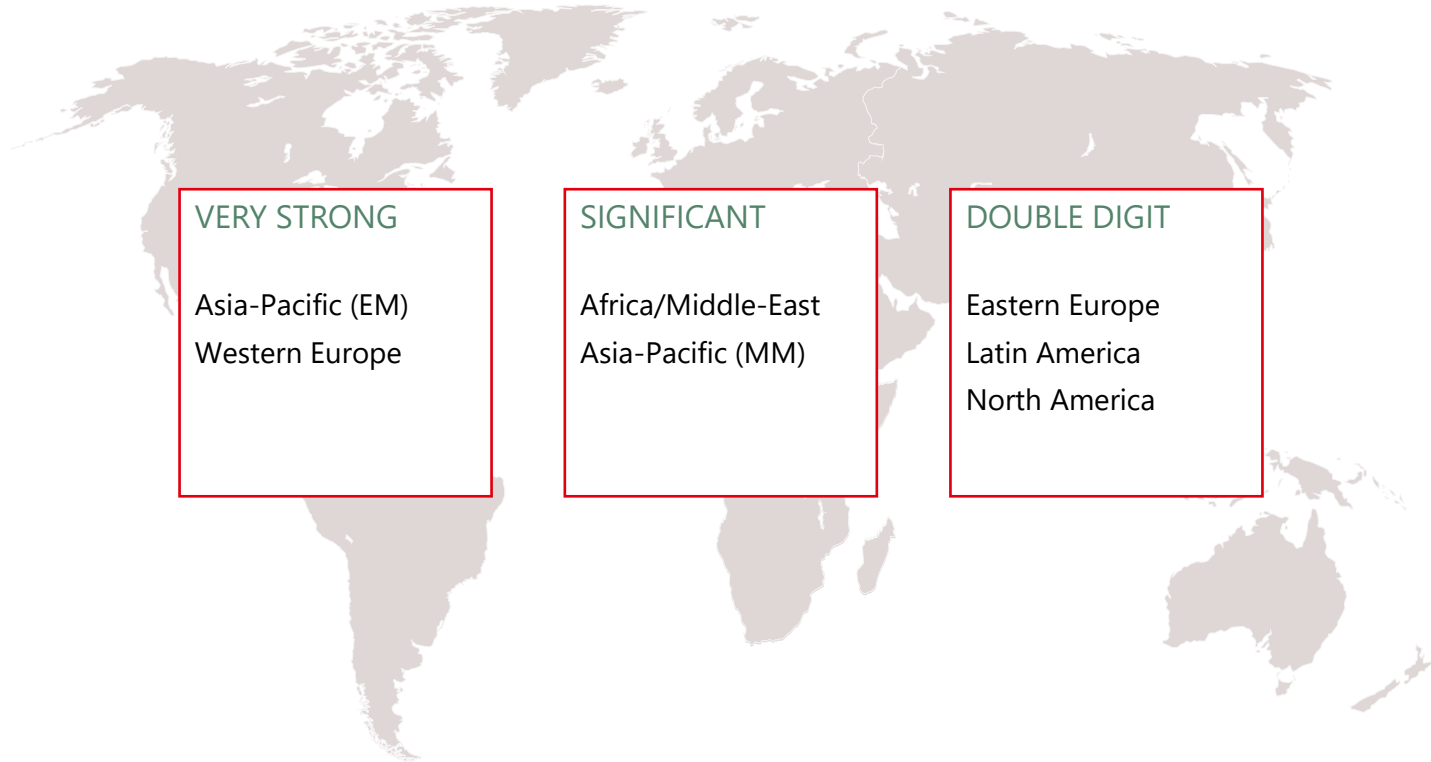
Price:  
10.6%

Volume:  
0.1%

- Continuously strong growth momentum with double-digit pricing at stable volumes
- Organic growth driven by all business areas:
  - Good growth in **Automotive & Metals** despite ongoing headwinds in Automotive from semiconductor shortages
  - **Packaging & Consumer Goods** up double-digit, particularly driven by Packaging and Lifestyle
  - **Electronics & Industrials** with significant growth driven by Industrials
  - Significant growth in **Craftsmen, Construction & Professional** supported by all businesses



# ADHESIVE TECHNOLOGIES



# BEAUTY CARE

ORGANIC  
SALES GROWTH

-1.2%

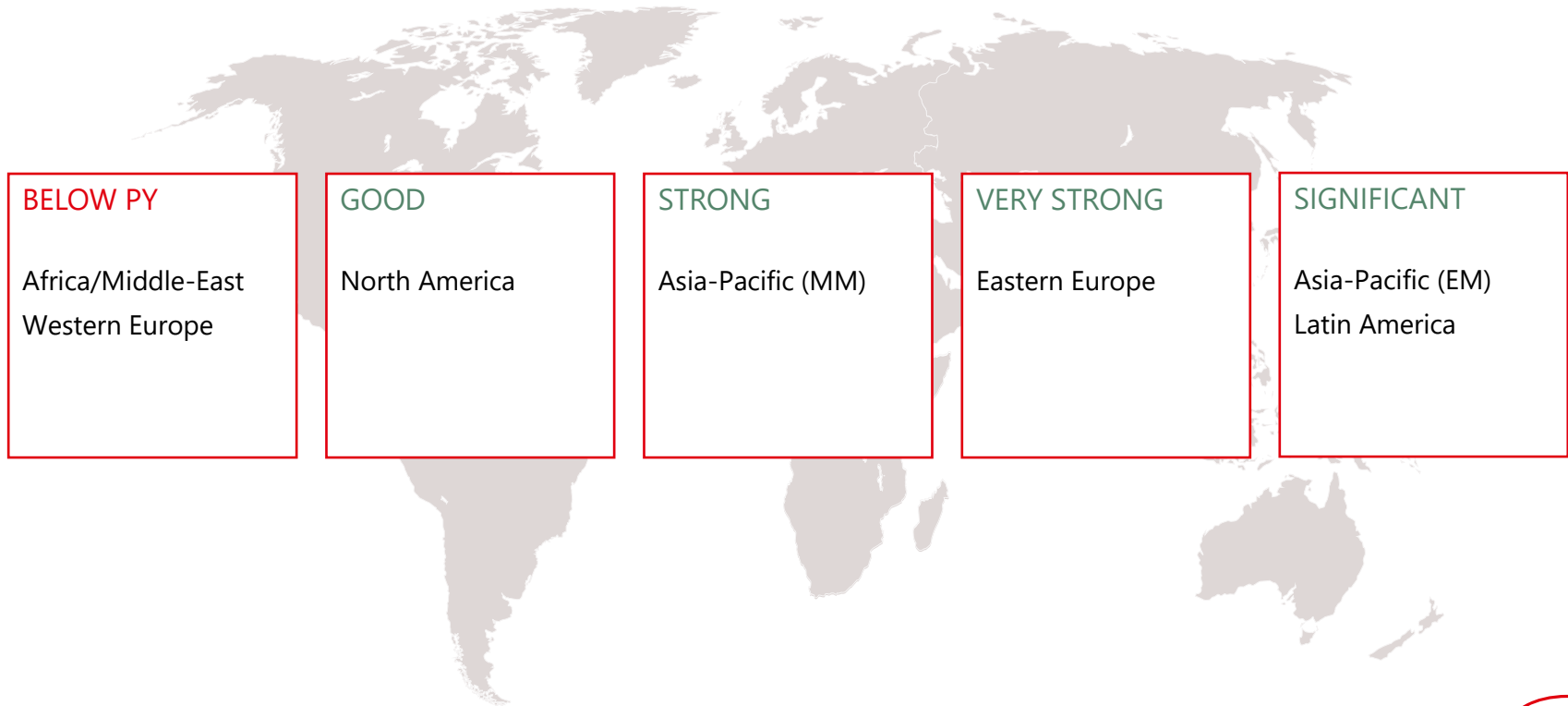
Price:  
5.1%

Volume:  
-6.3%

- Strong pricing but volume decline particularly due to portfolio measures in Consumer resulting in slightly negative organic sales growth
- **Consumer** below previous year:
  - Hair: continued market normalization leading to double-digit growth in Styling and negative development in Coloration; Care below previous year
  - Body Care negative mainly driven by portfolio measures
- **Professional** with double-digit growth and all regions contributing, in particular key markets North America and Europe



# BEAUTY CARE



# LAUNDRY & HOME CARE

ORGANIC  
SALES GROWTH

4.9%

Price:  
10.1%

Volume:  
-5.2%

- Double-digit pricing clearly offsetting volume decline leading to very strong organic sales growth
- **Laundry Care** with significant organic growth driven by all categories, with strong contribution from core brands Persil, 'all and Perwoll
- **Home Care** with slightly negative development mainly due to further normalization of demand for hard surface cleaners





# LAUNDRY & HOME CARE



# OUTLOOK 2022

## ORGANIC SALES GROWTH<sup>1</sup>

**+3.5 to 5.5%**

ADHESIVE TECHNOLOGIES	+8.0 to 10.0%
BEAUTY CARE	-5.0 to -3.0%
LAUNDRY & HOME CARE	+2.0 to 4.0%

## ADJUSTED EBIT MARGIN

**9.0 to 11.0%**

ADHESIVE TECHNOLOGIES	13.0 to 15.0%
BEAUTY CARE	5.0 to 7.0%
LAUNDRY & HOME CARE	7.0 to 9.0%

## ADJUSTED EPS<sup>2</sup> GROWTH

**-35 to -15%**

At constant exchange rates  
reflecting high level of  
market uncertainty  
and volatility

# KEY ASSUMPTIONS

## War in Ukraine

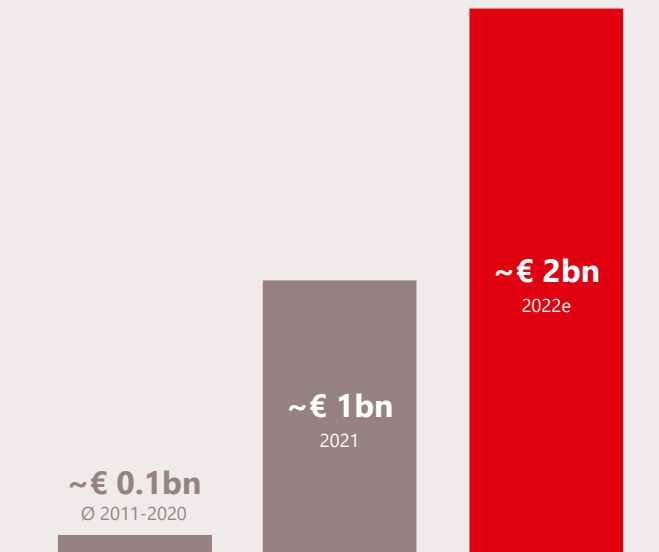
- **Exit of business activities in Russia and Belarus** significantly impacting Group sales and profitability
- **Noticeable effect from business in Ukraine** on Group sales and profitability
- **Broadly impacting global economies and markets:** further acceleration of raw materials and logistics prices paired with substantial volatility

## Drastic acceleration of input cost

- Average **direct materials price increase** of mid twenties % expected for 2022
- **Step up in pricing** and savings initiatives
- **Negative mathematical effect** on margin resulting from passing on in absolute terms significantly higher input cost

## Comparison of direct materials gross price increases

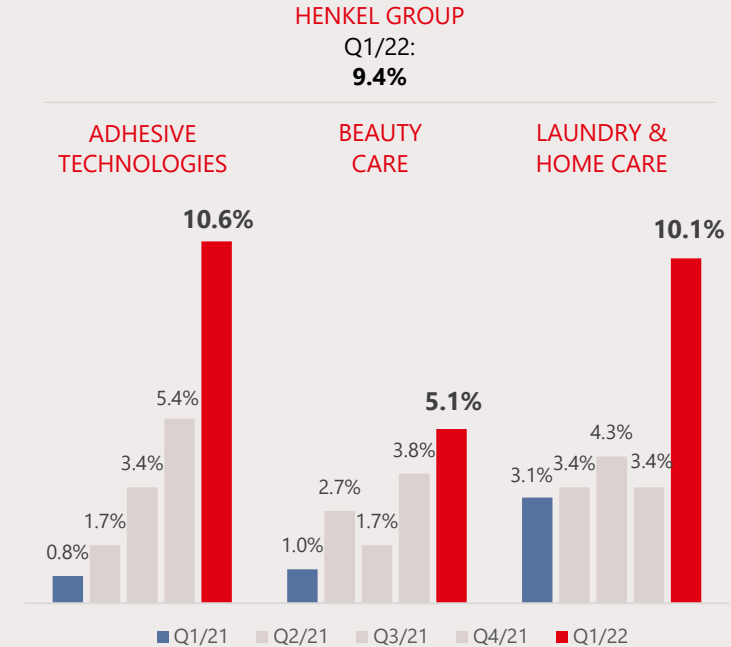
Annual delta vs previous year



# ACCELERATING PRICING INITIATIVES

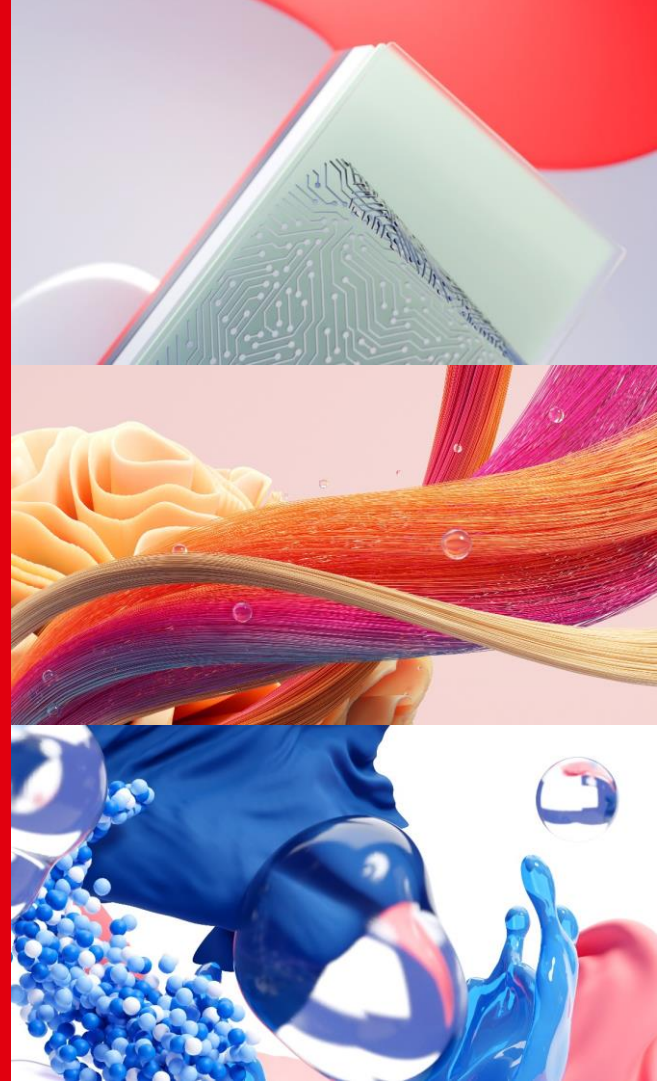
- **Comprehensive pricing and savings initiatives** in execution
- **Strong pricing in Q1** across all business units and regions
- **Further pricing efforts required** to compensate for unprecedented headwinds from raw materials and logistic costs
- **Confident to recover profitability over time**, while full compensation not yet in 2022

## Development of pricing component



# AGENDA

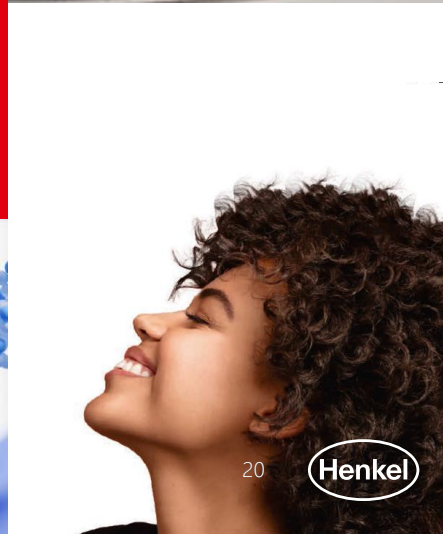
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# HENKEL CONSUMER BRANDS

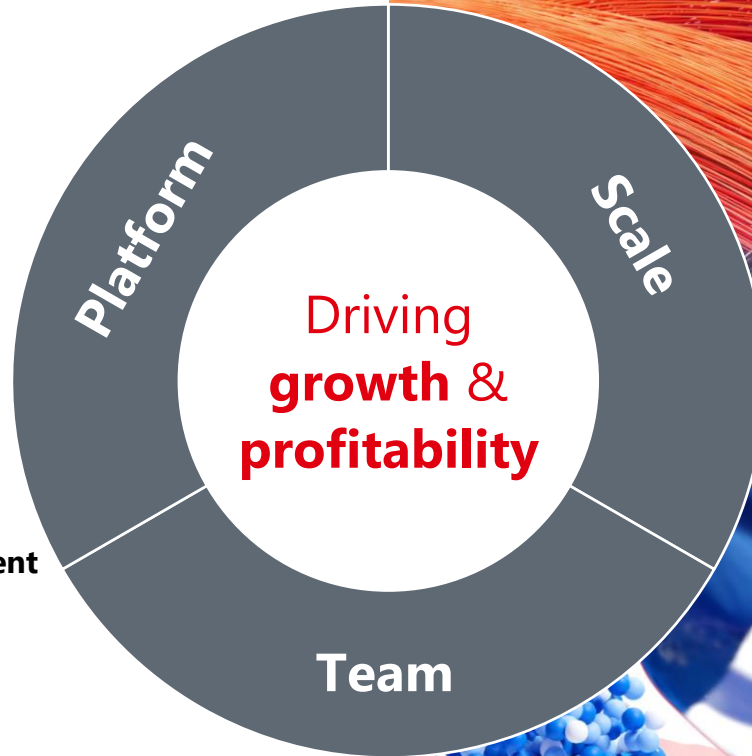
STRONG PLATFORM FOR GROWTH WITH  
ONE MULTI-CATEGORY CONSUMER GOODS UNIT





# STRATEGIC RATIONALE – EXECUTING THE PURPOSEFUL GROWTH AGENDA

- **Building a sustainable growth model**
- **Increasing focus on stronger gross margin**
- **Lifting significant organizational synergies**
- **Taking next step in active portfolio management**



# INTRODUCTION WOLFGANG KÖNIG



WOLFGANG KÖNIG

## **Executive Vice President Beauty Care (since 06/2021) & future Executive Vice President Henkel Consumer Brands**

- Global citizen with German Passport
- Master degree in Business/Economics
- Passion for brands with more than 26 years international experience in the FMCG industry:
  - Beiersdorf (1996 – 2005)
  - Colgate-Palmolive (2005 – 2012)
  - Kellogg Company (2012 – 2021)
- Experience in running large operations incl. Marketing, Sales and Supply Chain across EU, US and LATAM
- 12 years of US experience

# BUSINESS ANCHORED IN TWO GLOBAL CORE CATEGORIES IN ATTRACTIVE MARKETS

- **Strategic focus on**
  - **two global core categories** Laundry & Home Care and Hair Care<sup>1</sup>
  - **selected regional categories**
- Sizeable markets with strong **revenue** pool and **sustainable growth** development
- Focus on **high-margin** strategic **country-category** combinations



# WHERE WE PLAY, WE HOLD LEADING CATEGORY POSITIONS



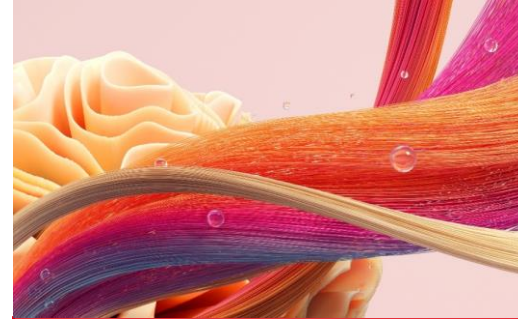
## **Laundry & Home Care**

# 2 in LHC globally

# 1 in LHC in Europe

# 2 in LHC in NA

# 1 in Toilet Care segment globally



## **Hair Care**

Co-# 2 Professional globally

# 2 in Hair Care in Europe

# 1 in Styling segment globally

# 2 Coloration segment globally

# CREATING A STRONG COMBINED PLATFORM FOCUSED ON GROWTH AND GROSS MARGIN ACCELERATION

**2 global core categories**

**~85%  
of sales**

**Top 20 markets**

**~85%  
of sales**

**Top 20 customers**

**~40%  
of sales**

# ENABLING US TO DELIVER ON OUR MID-TO LONG-TERM AMBITION

## Henkel Consumer Brands

Accelerated  
Growth

OSG  
**3 to 4%**

Increased  
Profitability

Adj. EBIT Margin  
**mid teens %**

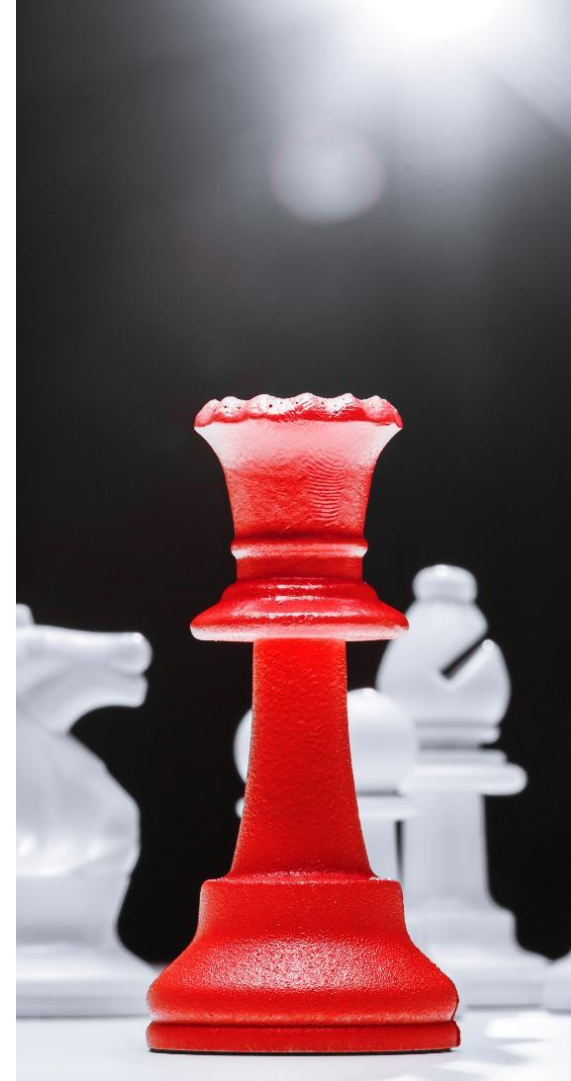
...through:

- Shaping the **portfolio**
- Creating one **organization**
- Consolidating **Supply Chain**
- **Investing** into **profitable growth-cells**



# SHAPING A HEALTHY GROWTH PORTFOLIO

- **Key** criteria for target portfolio:
  - Profitability with **gross margin obsession**,
  - **Growth** focused portfolio cells and
  - **Ability to win** with #1/2 market positions
- Increased combined **critical mass facilitates portfolio optimization**
- **Up to 1.0 bn€** businesses under **review** for divestment/discontinuation
- **Expansion of consumer platform** via M&A and/or organic growth



# CREATING ONE NEW ORGANIZATION DELIVERING SIGNIFICANT UPSIDES

- **Leaner structures** enabling **agility** and increasing **responsibility** through significantly reduced management positions on all layers
- **One face to the customer** with one combined sales team per country representing a more significant business
- **Reduction** of **redundant** tasks, workflows and procedures
- **Increased operational efficiency** with efficient usage of Shared Service centers for insourcing and offshoring
- **Enhanced competitive edge via one** combined agenda for **digitalization & sustainability**

**AS-IS**

TWO PARALLEL SET-UPS WITH  
DUPLICATED STRUCTURES



ONE MERGED SYNERGISTIC  
ORGANIZATION

**TO-BE**

# CONSOLIDATING SUPPLY CHAIN NETWORK

- Consolidate network of **~470 contract manufacturers and co-packers**
- Streamline set-up with **~140 warehouse & logistic locations**
- Optimize footprint of **45 manufacturing** plants and increasing in-housed production volumes to drive gross margin



# REALIZING SIGNIFICANT SYNERGIES

Reaching € 500m<sup>1</sup> gross savings with re-investments in the business

driven by multiple levers:  
**Portfolio – SG&A – Supply Chain**

## Phase 1

Mostly implemented until end of '23

- ~€ 250m<sup>1</sup> net savings
- Impacting ~2,000 mainly white-collar **employees**
- **One-time** cost of ~€ 350m
- Portfolio of **up to € 1.0bn** sales under review

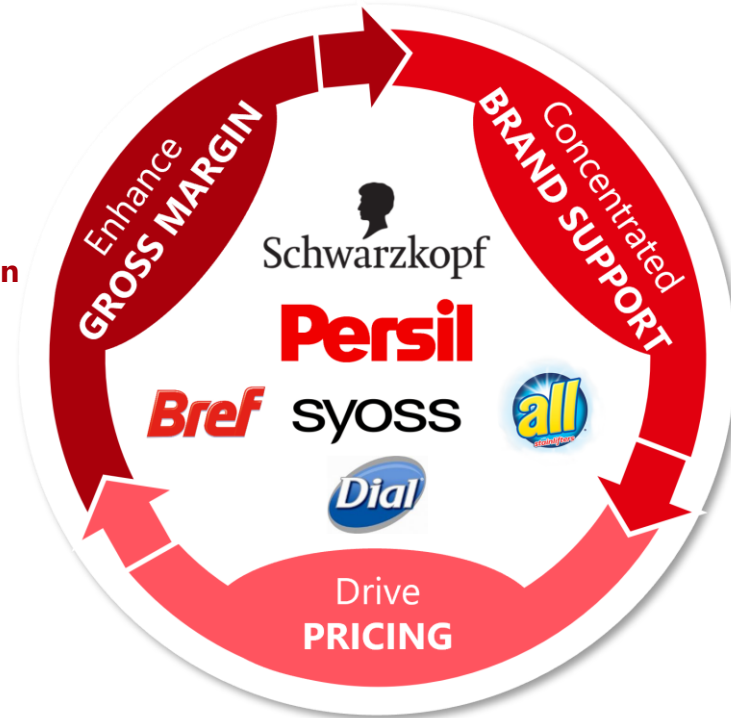
## Phase 2

Mostly implemented until end of '25

- **Net savings** will be defined
- Focusing on **Supply Chain** footprint measures
- **One-time** costs and **CAPEX** to be specified

# FUELING A POSITIVE GROWTH SPIRAL

- **Portfolio** with high **gross margin focus**
- Investment focus on **core platforms** with **higher margin** in **key markets**
- **Manufacturing** and **logistics** network **optimization**

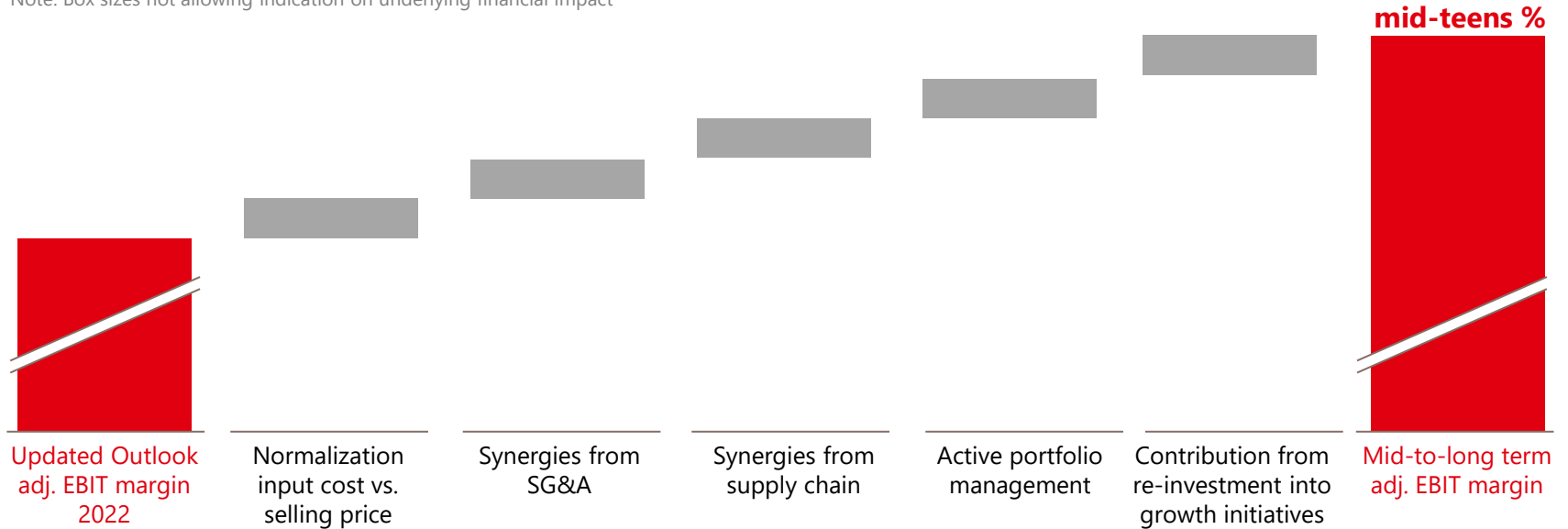


- High **support** levels create **strong leading brands**
- **Creating consumer pull** on must stock brands

- **Strong brands** create **pricing** power
- Allowing better **management** of increased **input costs**

# WAY TO REACH THE MID-TO LONG-TERM MARGIN AMBITION

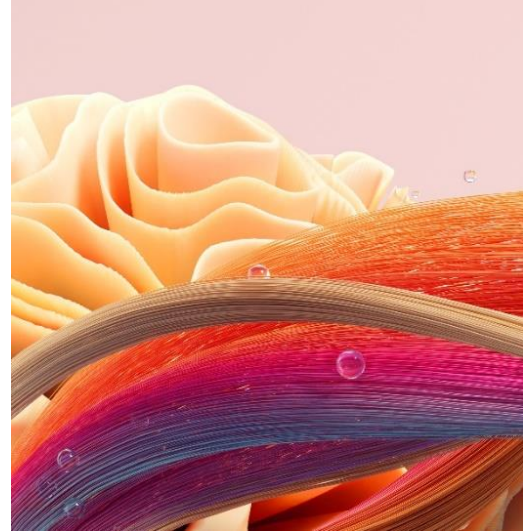
Note: Box sizes not allowing indication on underlying financial impact





# HENKEL CONSUMER BRANDS STRONGER IN A COMBINED SET-UP

- Building one business with increased **scale**, focused on **attractive market cells** with **strong** in-market **positions**
- Strategic **investment** choices **behind** attractive market & category combinations, with above average **gross margin potential**
- Leverage **substantial synergies** from **SG&A** and **Supply Chain** to enable **investment** into **profitable growth** and deliver our mid-term profitability ambition
- Opportunity to **actively manage portfolio** due to enhanced **critical mass**
- New **consumer platform** facilitating **acquisition** of further consumer categories



# HENKEL CONSUMER BRANDS

MULTI-  
CATEGORY

CONSUMER  
PLATFORM



SALES OF

~10 bn €<sup>1</sup>



One strong platform  
to accelerate  
Purposeful Growth  
Agenda in Consumer



ONE AGILE TEAM  
WITH ENHANCED

CUSTOMER  
& CHANNEL  
CENTRICITY



LEVERAGING  
SCALE,  
SYNERGIES  
AND RESOURCE  
ALLOCATION



DRIVING  
GROWTH &  
PROFITABILITY



OPTIMIZED  
PORTFOLIO

WITH  
ICONIC BRANDS

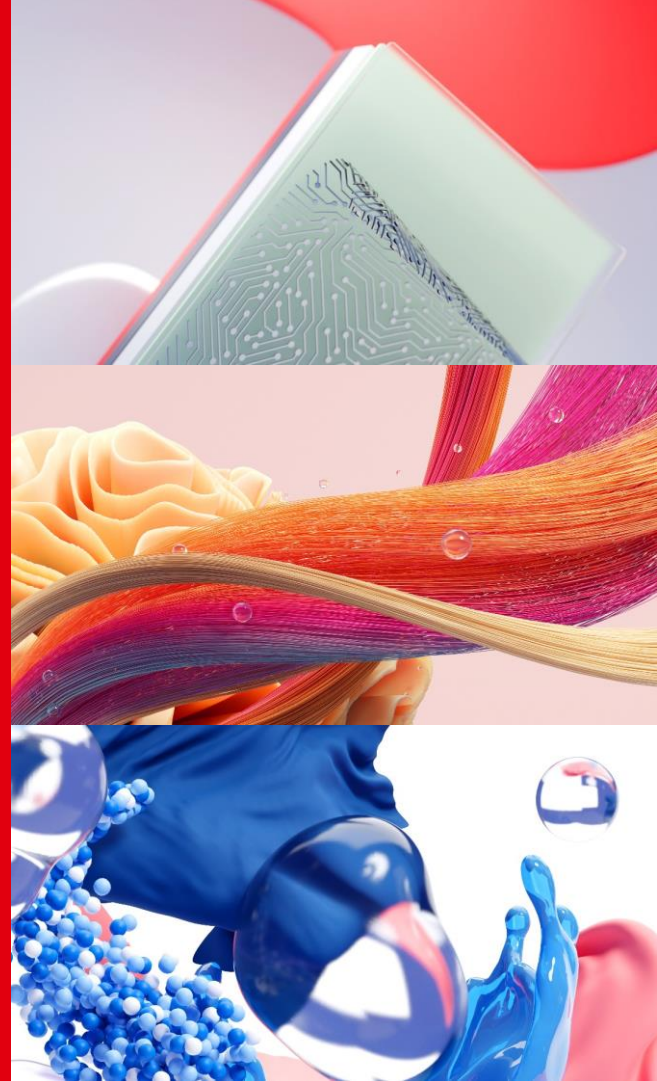


OPPORTUNITIES  
FOR

TEAMS,  
TALENTS,  
LEADERS

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# KEY TAKE-AWAYS

1. Henkel with **significant organic sales growth** in Q1 2022 driven by pricing
  2. **Highly volatile environment** with broad impacts from war in Ukraine and drastic input cost increases
  3. **Outlook 2022** reflecting fundamental changes in business environment
  4. **Step up pricing initiatives** to mitigate exceptional headwinds from raw materials & logistics
4. Progressing with creation of multi-category platform **Henkel Consumer Brands:**
    - Enhancing growth and margin profile
    - Significant synergies – targeting € 500m gross savings mid-term
    - First phase implemented by 2023 with annualized net savings of € 250m
    - Businesses of up to €1 bn under review for portfolio measures



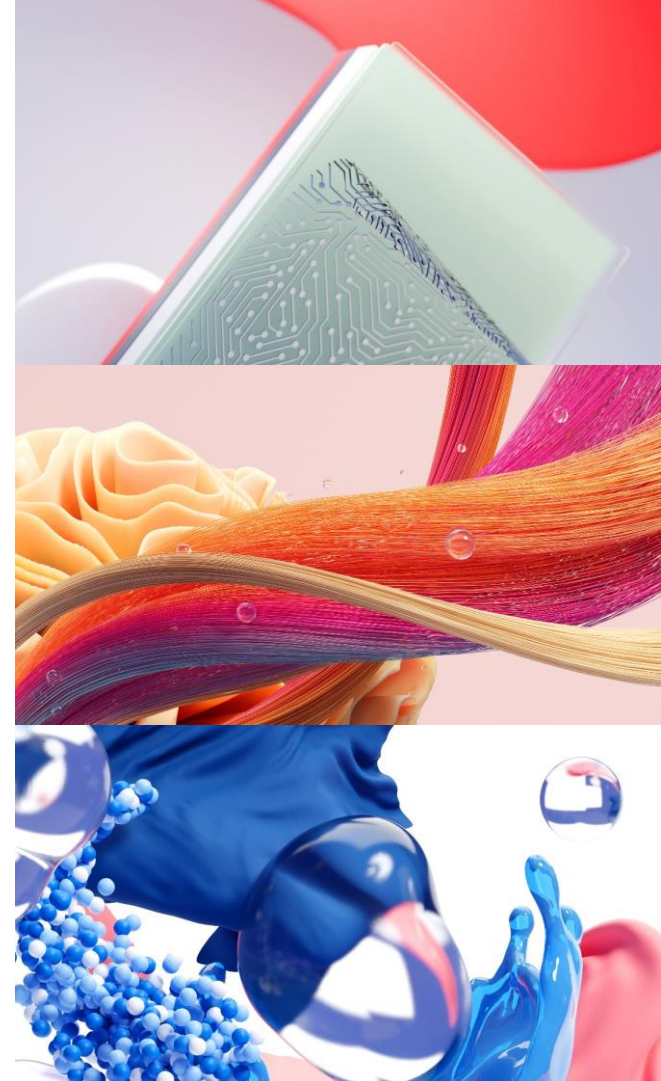
# Q&A





# CLOSING REMARKS

- **Significant organic sales growth** in Q1 2022 driven by pricing
- Unprecedented and highly volatile **business environment**
- **Outlook 2022** reflecting broad impact from war in Ukraine and unseen input cost inflation
- Progressing with creation of multi-category platform **Henkel Consumer Brands** leveraging significant synergies and driving growth & profitability
- **Manage performance** across businesses, while maintaining relentless focus on implementation of **Purposeful Growth Agenda**



# UPCOMING EVENTS

## What's next in 2022





# THANK YOU.





FIND OUT MORE ON [HENKEL.COM](https://www.henkel.com)

# OUTLOOK 2022

## ADDITIONAL INPUT FOR SELECTED KPIS

Currency Impact on Sales	Low single-digit % positive <sup>1</sup>
M&A Impact on Sales	Low to mid-single-digit % negative <sup>2</sup>
Prices for Direct Materials	Increase by mid twenties % <sup>1</sup>
Restructuring Charges	€ 450 – 500m <sup>3</sup>
CapEx	€ 700 – 800m

<sup>1</sup> versus the prior year average <sup>2</sup> including effect from exiting Russia and Belarus

<sup>3</sup> including restructuring charges related to the merger of Laundry & Home Care and Beauty Care; excluding potential restructuring charges related to exiting Russia



# OUTLOOK 2022

	FY 2022 – previously	FY 2022 – updated
Organic Sales Growth	2.0 to 4.0%	3.5 to 5.5%
Adjusted EBIT Margin	11.5 to 13.5%	9.0 to 11.0%
Adjusted EPS <sup>1</sup> (at constant currencies)	-15 to +5%	-35 to -15%