

# Henkel 2020<sup>+</sup>

Shaping Henkel towards 2020 and beyond

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# | Disclaimer

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# | Agenda

————— | **Strong Foundation** —————

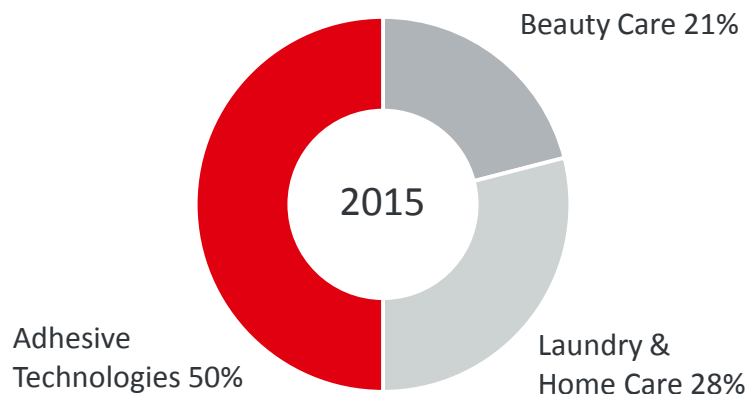
————— | Compelling Ambition —————

————— | Clear Strategy —————

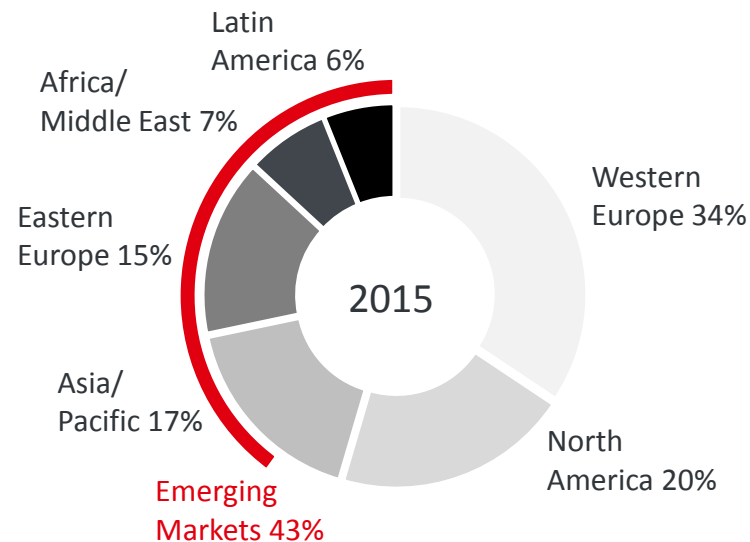
————— | Attractive Returns —————

# Well-diversified Portfolio of Three Business Units...

## Sales by business unit\*



## Sales by region\*



\* Corporate Sales Not Included (accounts for 1% of sales)

# | ... Successfully serving highly attractive Markets

Strong foundation to generate sustainable profitable organic growth

## Market Attractiveness

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- Attractive markets with sustainable growth potential
- Markets with robust profitability
- Macroeconomic trends supporting market development

## Ability To Win

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- Henkel continuously strengthening capabilities
- Focused and coherent portfolio
- Ongoing share expansion based on leading brands and technologies

# Top Positions across all Business Units

## Adhesive Technologies



Global leading positions

#1 globally

## Beauty Care



Leading category / country positions

#3 Hair Coloration  
#3 Hair Professional

## Laundry & Home Care



#1 Europe  
#2 North America/ MEA

# | Compelling and High Quality Acquisitions

Adhesive Technologies

NOVAMELT 

THE **BERGQUIST**  
COMPANY

Beauty Care

*PeRT*

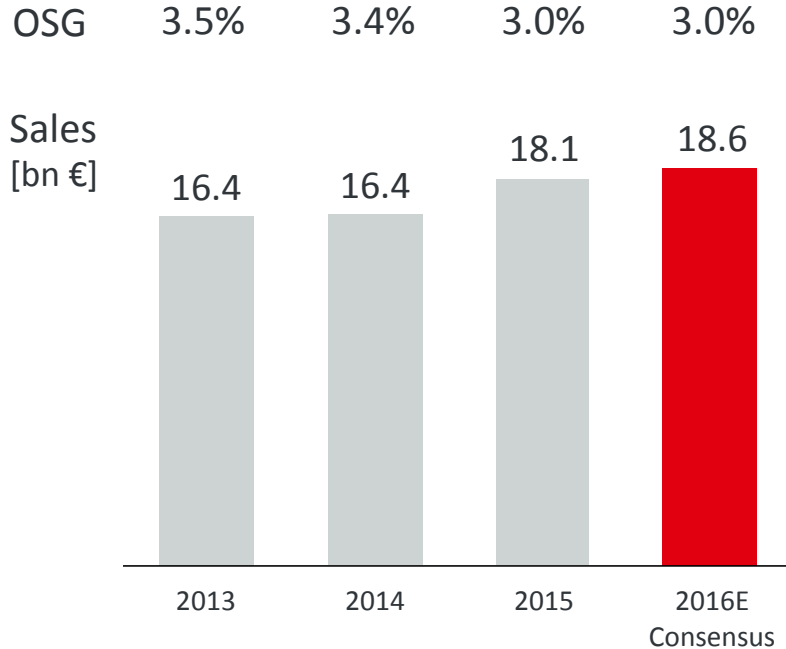
 **sexy**hair

Laundry & Home Care

 **spotless**  
Group

**Sun**   
Products Corporation

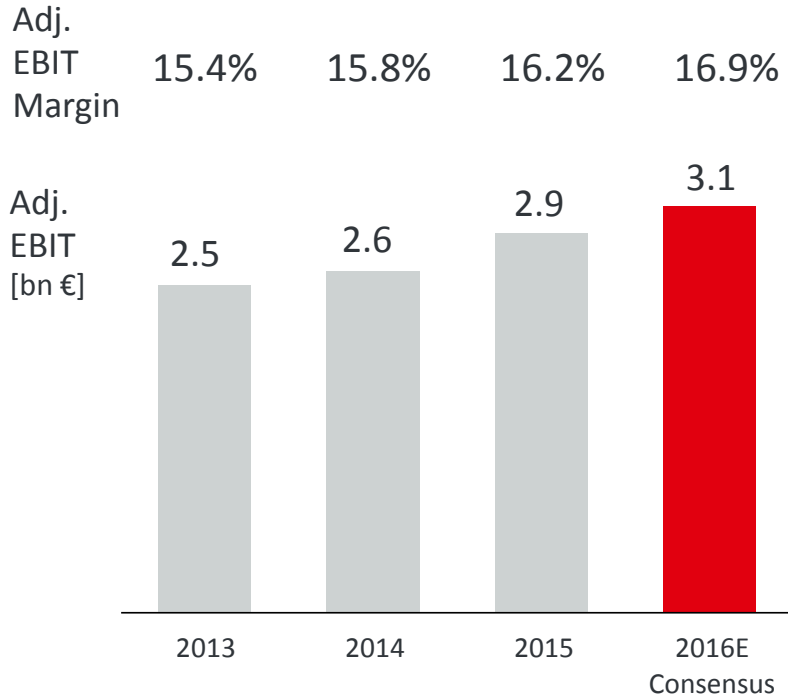
# Strong Sales Growth outperforming Markets



- Consistent organic growth
- Emerging markets with over-proportional contribution
- Nominal growth significantly impacted by FX-headwinds
- Add-on acquisitions across all Business Units

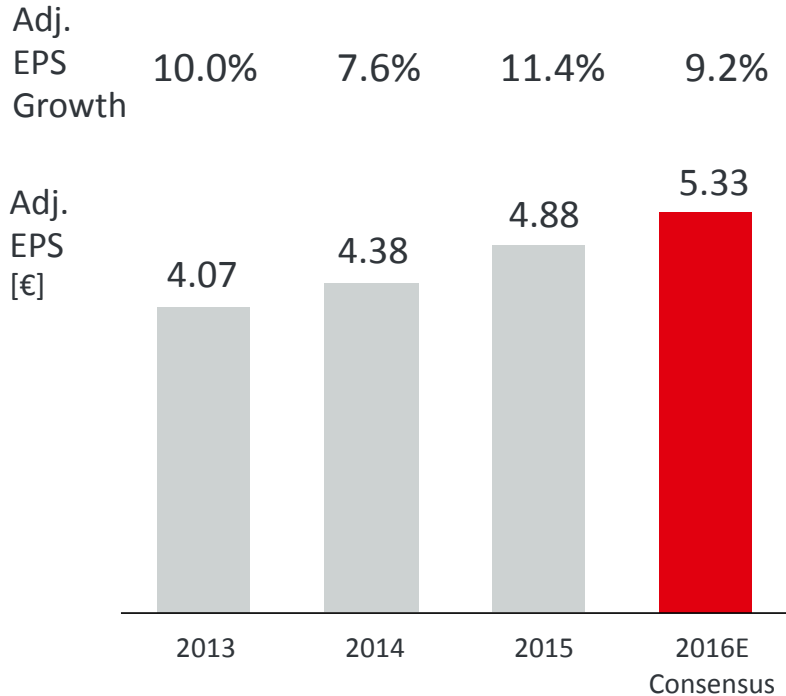


# Significant Margin Increase leading to > 3 bn € Profit



- Consistent improvement in profitability
- All Business Units contributing
- Strong gross margin expansion
- SG&A contribution accelerating in 2016

# Consistently high adjusted EPS Growth



- Best-in-class earnings profile
- Organic performance dominant EPS driver
- Driven by both sales and margin expansion
- Significantly impacted by FX headwinds

# | Agenda

—— | Strong Foundation

—— | **Compelling Ambition**

—— | Clear Strategy

—— | Attractive Returns

# | In a Changing Market Environment...

## **Globalization**

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Multipolar and increasingly interdependent market environment

## **VUCA**

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Markets with high level of volatility, uncertainty, complexity & ambiguity

## **Digitalization**

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Accelerating digitalization with exponential evolution of technologies

## **Sustainability**

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Increasing awareness about resource scarcity and social responsibility

## | ... we pursue a Compelling Ambition

- 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

# Generate Profitable Growth and Attractive Returns

## Financial Ambition 2020

Organic Sales Growth

2 – 4%  
(Average 2017 – 2020)

Adj. EPS Growth

7 – 9%  
(CAGR 2016 – 2020, per preferred share)

Adj. EBIT Margin

Continued improvement in  
adjusted EBIT margin

Free Cash Flow

Continued focus on  
free cash flow expansion

# | Agenda

—— | Strong Foundation

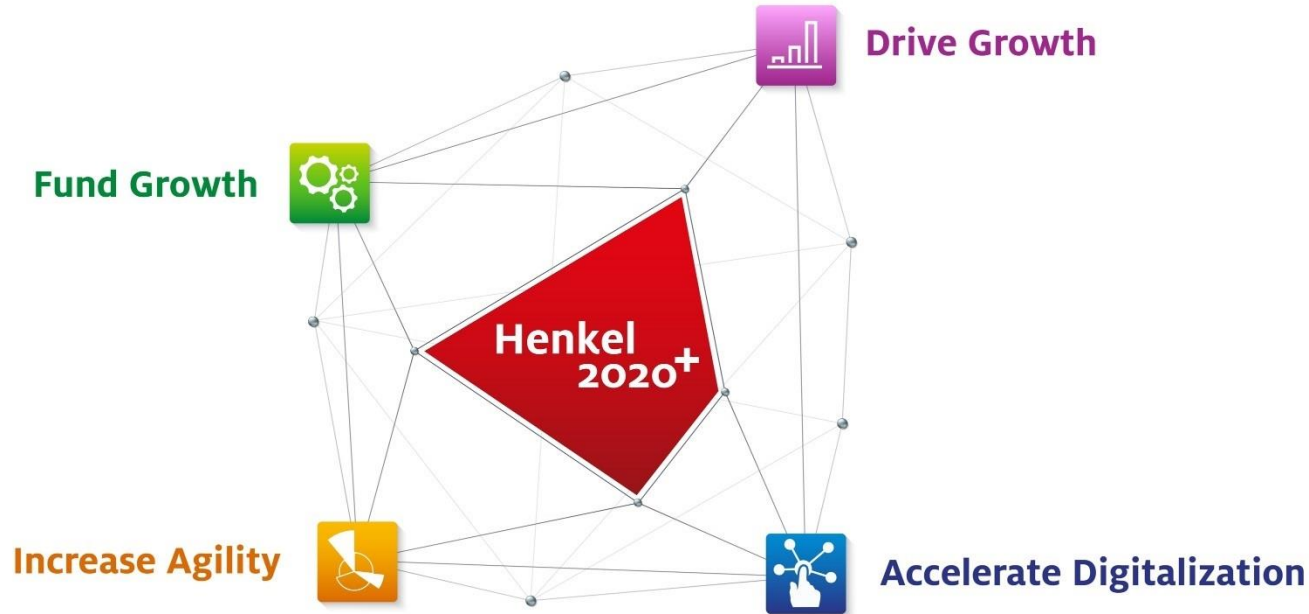
—— | Compelling Ambition

—— | **Clear Strategy**

—— | Attractive Returns

# Clear and Exciting Growth Strategy

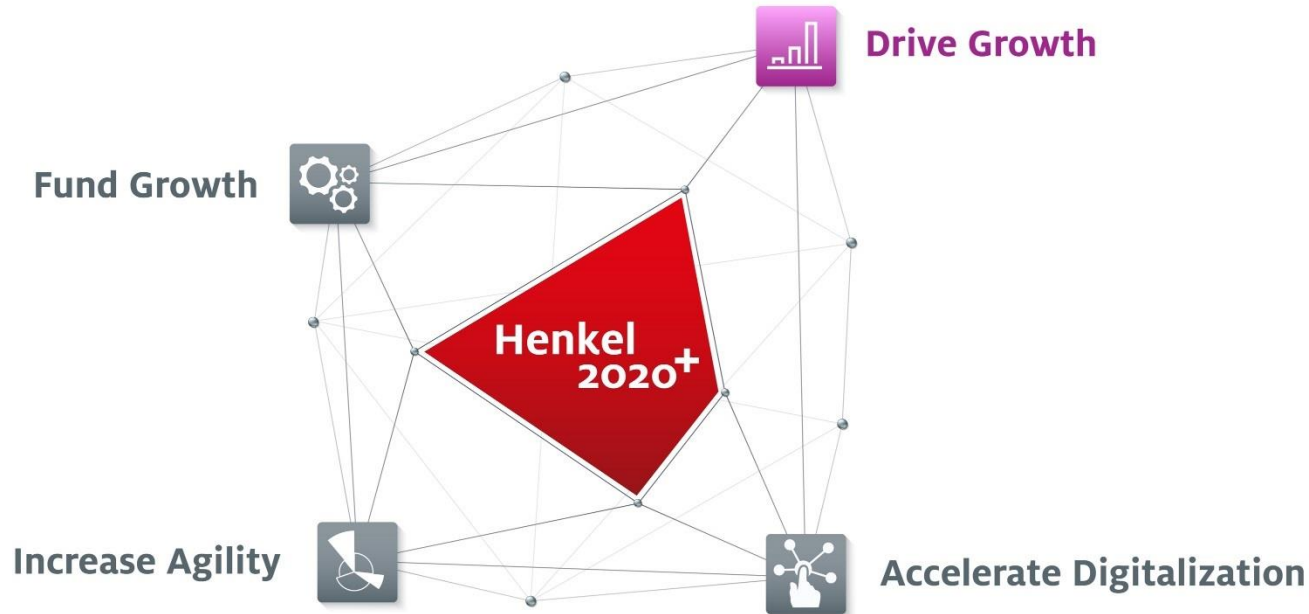
## Henkel 2020+ Strategic Priorities





# Clear and Exciting Growth Strategy

## Henkel 2020+ Strategic Priorities





## Drive Growth

- Superior Customer and Consumer Engagement
- Leading Brands and Technologies
- Exciting Innovations and Services
- New Sources of Growth



# Superior Customer and Consumer Engagement

- Step-change customer centricity through multi-level engagement
- Accelerate growth with top customers through intensified partnerships
- Make consumer journey a unique experience
- Capture growth opportunities by addressing the needs of specific target groups



# | Leading Brands and Technologies

- Targeted investments strengthening our top brands
- Increase share of Top 10 brands to 75%
- Create competitive advantage by capturing new technologies
- Leverage more customized products and solutions across various industry segments



# Exciting Innovations and Services

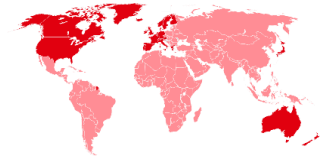
- Elevate impactful, more accretive innovations
- Increase sales share of top innovations
- Re-invent innovation setup including build-up of new centers in Düsseldorf and Shanghai
- Expand product offerings by value-adding services and solutions





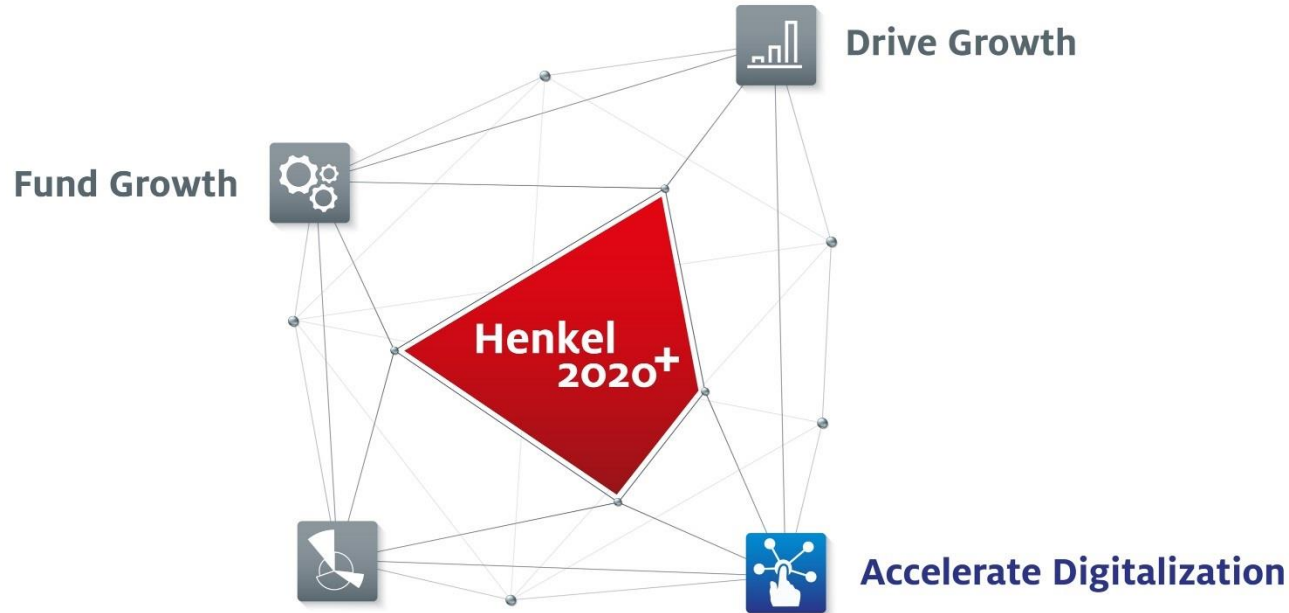
# New Sources of Growth

- Drive expansion in mature markets and grow over-proportionally in emerging markets
- Conquer white spots in core markets and expand into adjacencies via targeted acquisitions
- Invest in start-ups with digital or technology know-how via Corporate VC fund of up to 150 M€



# Clear and Exciting Growth Strategy

## Henkel 2020+ Strategic Priorities





# Accelerate Digitalization

- Drive Digital Business
- Leverage Industry 4.0
- eTransform Organization





# Drive Digital Business

- Digitize interaction with customers and consumers, business partners and suppliers
- Grow digitally-driven sales to more than 4 bn €
- Step-up engagement through omni-channel offerings and e-commerce platforms
- Significantly expand use of digital media





## Leverage Industry 4.0

- Digitize entire process of plan, source, make, deliver
- Increase service levels for customers
- Better utilize manufacturing plants by implementing predictive maintenance
- Improve production and logistic processes by rolling-out demand sensing





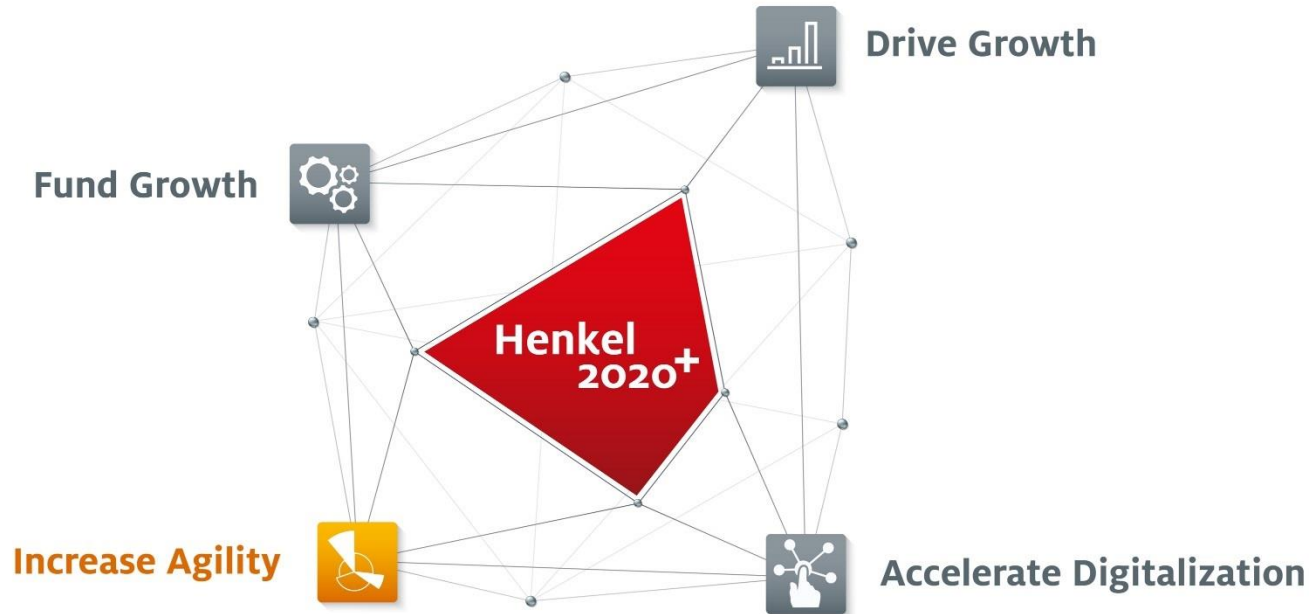
# eTransform Organization

- Enhance capabilities of our employees
- Expand digital training and development programs
- Promote rapid “test and learn” mind-set
- Establish CDO with cross-business responsibility



# Clear and Exciting Growth Strategy

## Henkel 2020+ Strategic Priorities



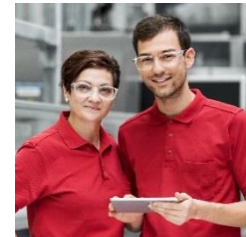


## Increase Agility

- Energized and Empowered Teams
- Fastest Time-to-Market
- Smart Simplicity

# Energized and Empowered Teams

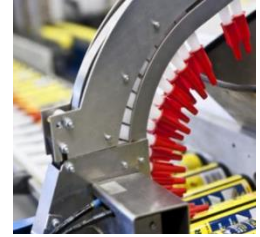
- Foster the entrepreneurial spirit of our employees
- Enlarge the decision power of our teams
- Promote openness to change, encourage adaptability
- Further drive outspoken performance culture





# Fastest Time-to-Market

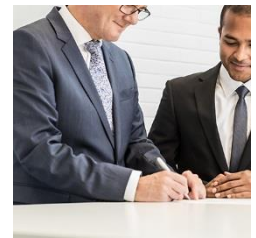
- Reduce innovation lead time
- Anticipate customer and consumer needs
- Expand “Minimum Viable Product” approach
- Speed up market penetration and accelerate entries into new markets





# Smart Simplicity

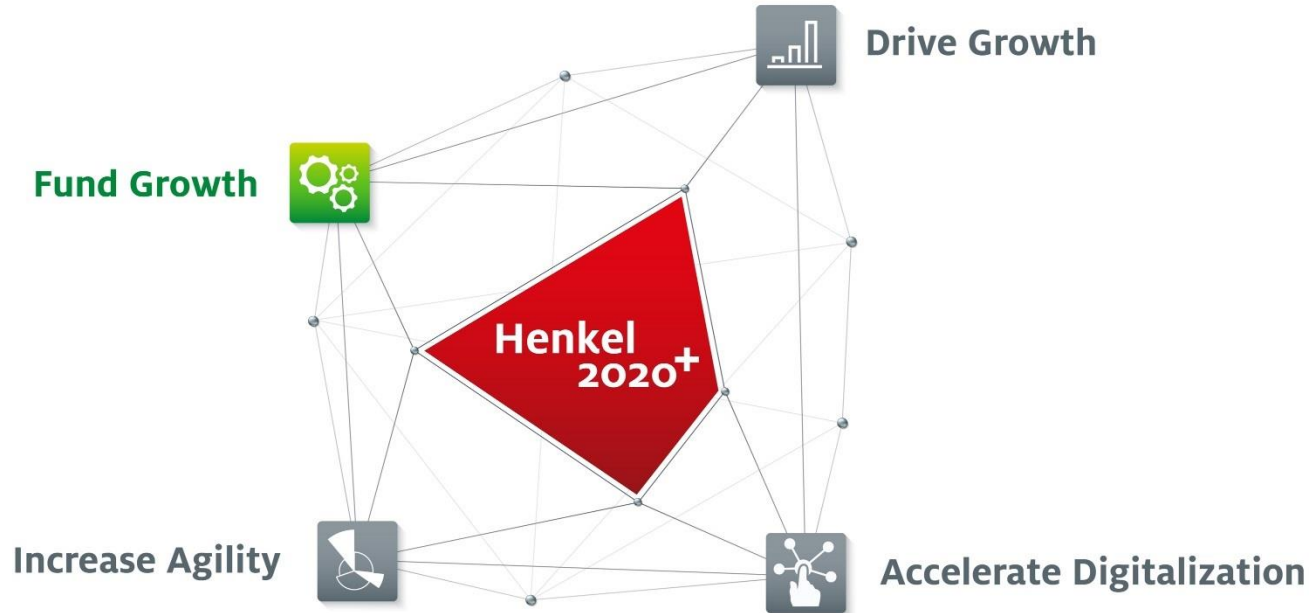
- Adapt to dynamic markets with flexible business models
- Roll-out End-to-End processes and optimize workflows
- Drive integration of acquisitions and leverage synergies





# Clear and Exciting Growth Strategy

## Henkel 2020+ Strategic Priorities





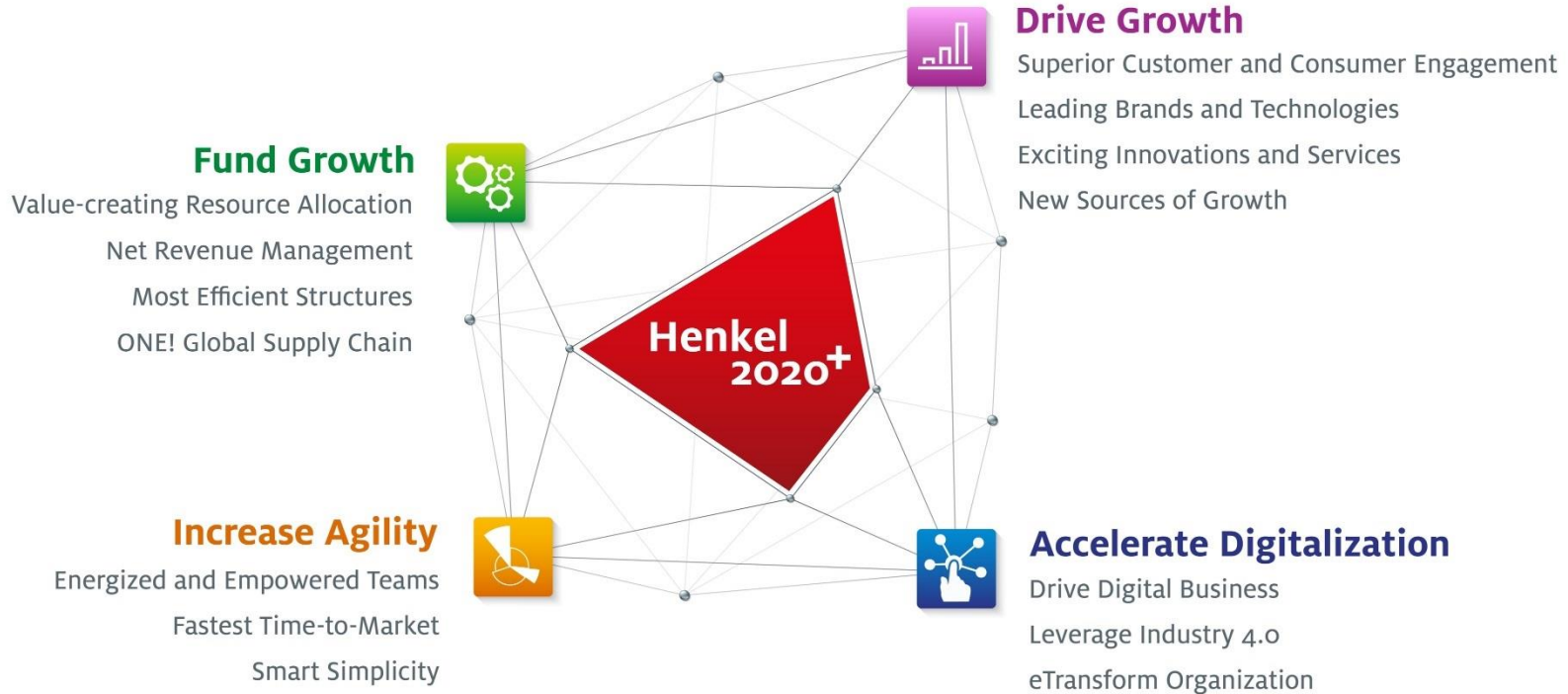
## Fund Growth

- Value-creating Resource Allocation
- Net Revenue Management
- Most Efficient Structures
- ONE! Global Supply Chain

Details follow in chapter  
“Attractive returns”

# Clear and Exciting Growth Strategy

## Henkel 2020+ Strategic Priorities



# | Agenda

————— | Strong Foundation —————

————— | Compelling Ambition —————

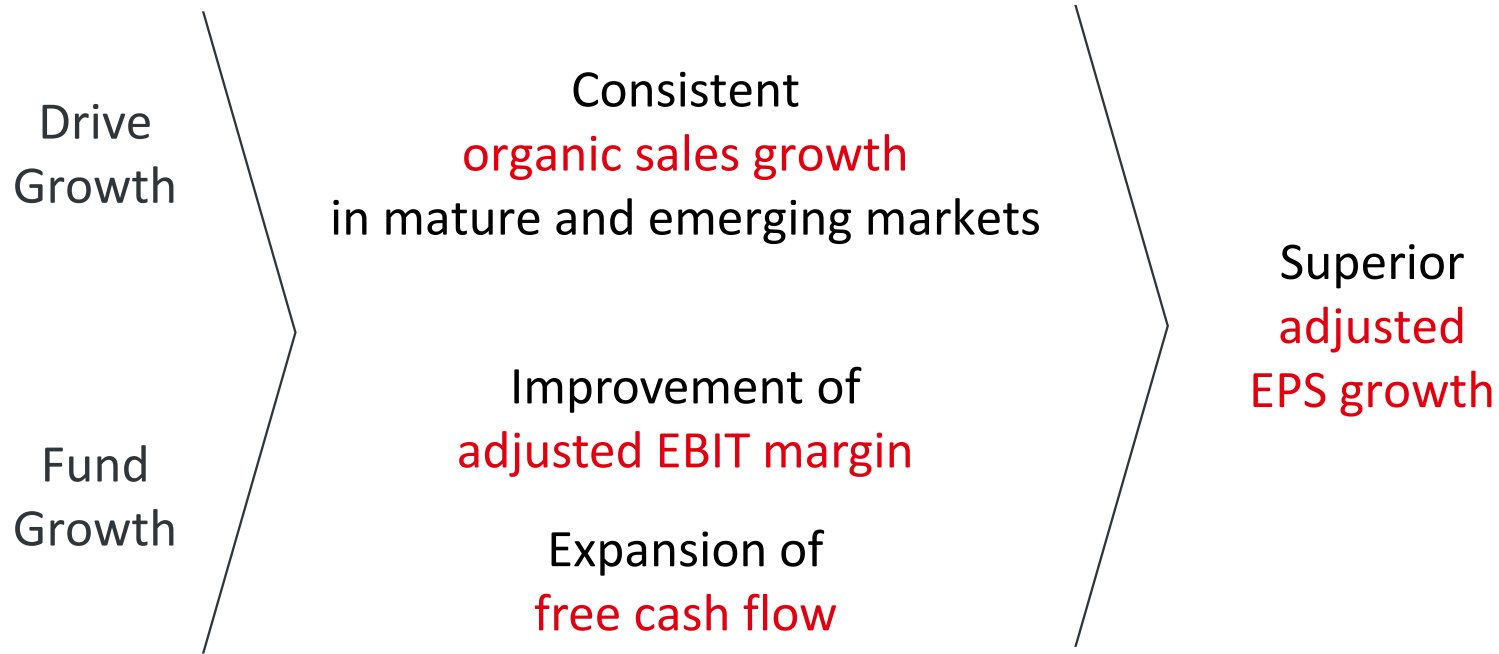
————— | Clear Strategy —————

————— | **Attractive Returns** —————

# | Attractive Returns

- Continued ambition to deliver attractive returns
- Clear initiatives to fund growth
- Consistent capital allocation supporting our ambition

# | Continued Ambition to deliver Attractive Returns



# | Continued Ambition to deliver Attractive Returns

Organic Sales Growth

2 – 4%  
(Average 2017 – 2020)

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- OSG to be driven by all Business Units
- Further expansion of market shares
- Sales in Emerging Markets to grow over-proportionately
- Growth also in Mature Markets

# | Continued Ambition to deliver Attractive Returns

Adj. EPS Growth

7 – 9%

(CAGR 2016 – 2020, per preferred share)

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- Organic performance as key EPS driver
- Active portfolio management, incl. small- and mid-sized acquisitions
- Adaptation of our structures to the market to continue
- Foreign exchange impact included
- Share-buy-back not included



# | Continued Ambition to deliver Attractive Returns

Adj. EBIT Margin

Continued improvement in  
adjusted EBIT margin

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- Continuous improvement of Gross Margin
- Further optimization of SG&A expenses
- Realization of synergies from acquisitions

# Continued Ambition to deliver Attractive Returns

## Free Cash Flow

Continued focus on  
free cash flow expansion

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- Excellent track record of cash generation
- Fueled by significant operating profit
- Driven by further improvement of Net Working Capital
- Supported by “asset light” structure

# Financial Ambition 2020

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# | Clear Initiatives to Fund Growth

Drive  
Growth

Fund  
Growth



Consistent  
organic sales growth in both  
mature and emerging markets

Improvement of  
adjusted EBIT margin

Expansion of  
free cash flow

Superior  
adjusted  
EPS growth



# Value-creating Resource Allocation

- New cost management approach
- Enhance budget transparency
- Global coverage, across Business Units and Functions
- 15 – 18 months project, already kicked-off
- Benefits expected to start in the course of 2017



# Net Revenue Management

- Optimize trade spend and leverage pricing power
- Global coverage, across Business Units
- Pilots finalized, gradual implementation during 2017
- Benefits expected to start from 2018





# Most Efficient Structures

- Bring Shared Services to the next efficiency level
  - Master volume growth and optimize set-up
  - Leverage capabilities with automation and robotics
  - Accelerate synergies across Business Units
- Capture potential from acquisitions
- Optimize manufacturing and logistics footprint
- Benefits to be realized starting from 2017





# ONE! Global Supply Chain

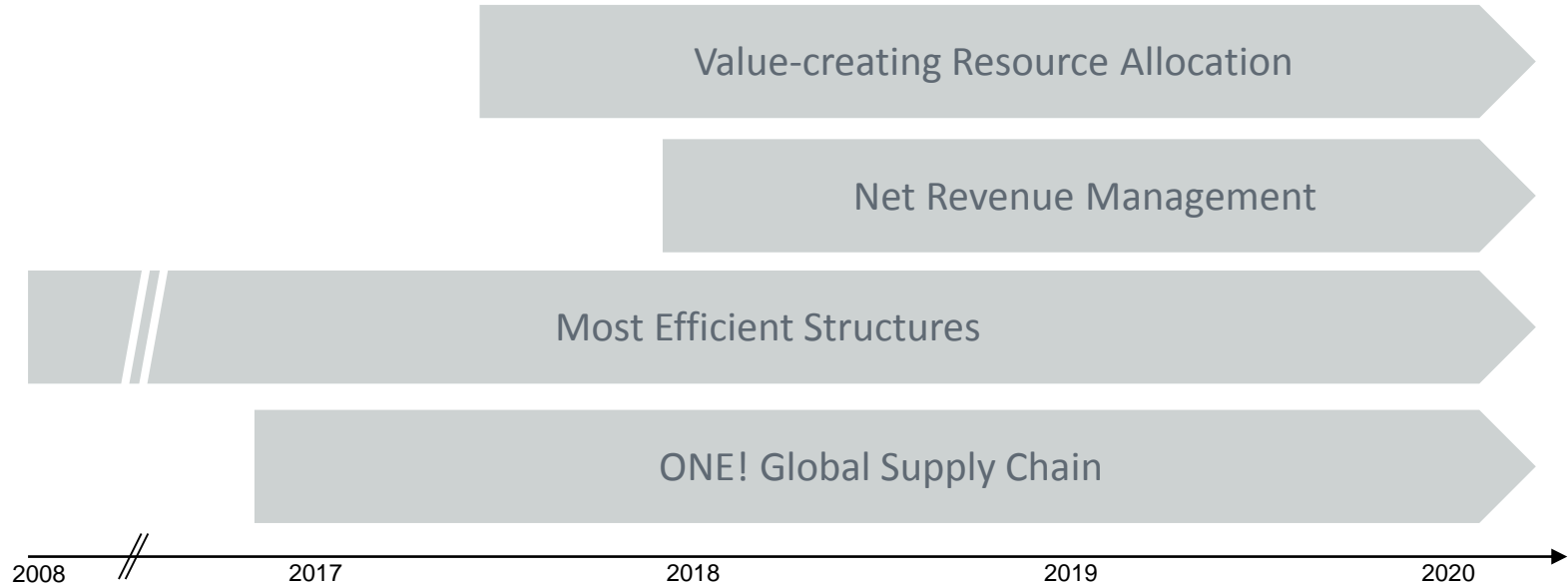
- Successful implementation in Europe
- Roll-out to North America in 2018
- Leverage synergies across Business Units and Functions
- Benefits to be realized starting from 2017







# Fund Growth Roadmap



# | Consistent Capital Allocation supporting our Ambition

## Strong Sources of Cash

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Excellent  
Free Cash Flow  
Generation

Significant  
Balance Sheet  
Optionality

## Consistent Capital Allocation

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Investments

Acquisitions

Dividends

# Consistent Capital Allocation: Investments

- Increase CapEx by ~50% to ~3 bn € until 2020
- Significant investments to support growth initiatives, innovation, infrastructure and IT
- Step up investments in digitalization
- Launch Venture Capital Fund of up to 150 M€



# | Consistent Capital Allocation: Acquisitions

- Integral part of our strategy
- Strengthen our portfolio both in core and adjacencies
- Disciplined approach in acquisitions
- Commitment to single-A rating



# | Consistent Capital Allocation: Dividends

- Established dividend policy
- Consistent growth of dividend payment
- Based on strong earnings profile

# | Attractive Returns

- Continued ambition to deliver attractive returns
- Clear initiatives to fund growth
- Consistent capital allocation supporting our ambition

# | Agenda

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————— | Clear Strategy —————

————— | Attractive Returns —————

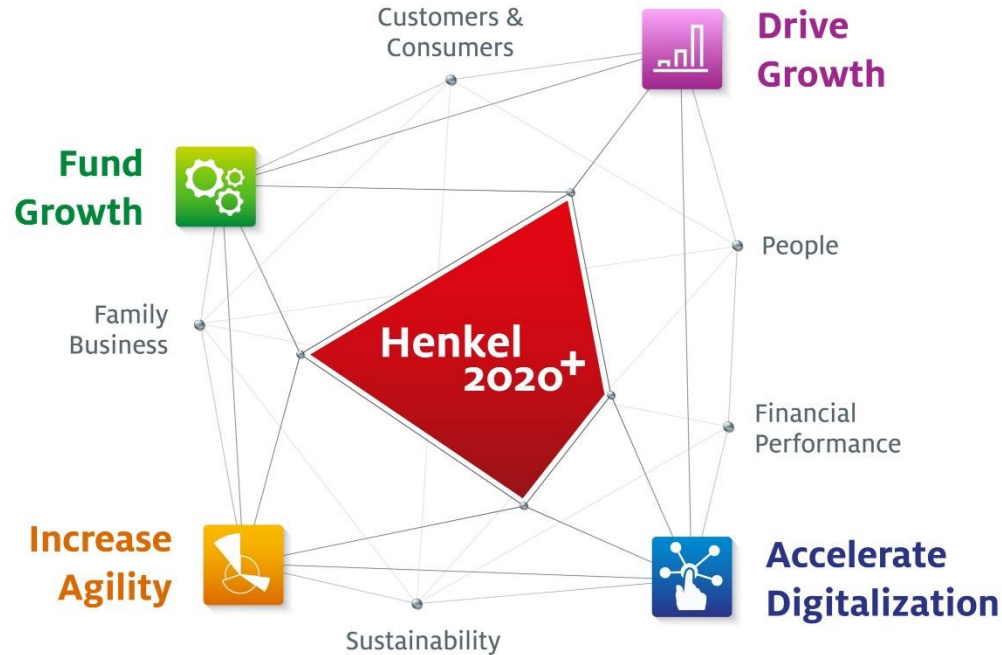
# | Compelling Ambition

- 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
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# Clear and Exciting Growth Strategy

## Henkel 2020+ Strategic Priorities and Values



# | Conclusion

- Strong foundation based on a well-balanced portfolio
- Excellent and consistent financial performance
- Compelling ambition to deliver attractive returns
- Consistent capital allocation supporting our ambition
- A clear and exciting growth strategy going forward

| Thank You !

