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PRESENTATION

Operator

Good morning and welcome to the Henkel conference call. (Operator Instructions) I will now hand over to Leslie Iltgen, Head of Investor Relations. Please go ahead, madam.

Leslie Iltgen - Henkel AG & Co KGaA - Head of Investor Relations

Good morning to everyone. A warm welcome, everyone joining the call today on Henkel's half year 2025 results. I'm Leslie Iltgen, Head of Henkel Investor Relations. Today I'm joined by our CEO, Carsten Knobel; and our CFO, Marco Swoboda.

Carsten will begin with an overview of the key developments and highlights in the first half. Marco will follow with a more detailed review of the financial performance. As always, following the presentation, we will open up the lines, and Carsten and Marco will be happy to answer questions. Before handing over to Carsten, please let me remind you that this call will be recorded and will be made available on our investor relations website shortly after this call.

By asking a question during the Q&A session, you agreed to call the live broadcasting as well as the recording of your question, including salutation to be published on our website. Also, please be reminded that this presentation contains the usual formal disclaimer in regard to forward-looking statements within the meaning of relevant new legislation. It can also be accessed via our website at henkel.com. As always, the presentation and discussion are conducted subject to this disclaimer.

With this, it is my pleasure to hand over to our CEO, Carsten Knobel. Carsten, please go ahead.

Carsten Knobel - Henkel AG & Co KGaA - Chairman of the Management Board

Thank you so much. So good morning and a warm welcome also from my side to everyone joining our conference call today. As always, we do appreciate your interest in our company and we look forward to answering your questions. After walking you through the key developments of

the first six months, we will elaborate on Henkel's business performance and the full year outlook in more details. So let me move straight to the key topics and highlights of the first half.

Organic sales growth in the first half was flat while clearly positive in Q2. Encouraging to see was the clear volume improvement by more than 400 basis points in Q2 in Consumer Brands which together with positive pricing led to positive organic sales growth. In Adhesive Technologies, we also saw positive pricing and a positive volume development in Q2, which also led to positive organic sales growth. Working-day adjusted organic sales growth in H1 would have been above 2%.

And we also recorded a strong margin increase driven by very strong gross margins while keeping up with appropriate investment levels in order to fuel further growth. In addition, EPS at constant currencies grew strongly by 5% versus the prior year, a good achievement given the exceptionally strong 2024 base.

The share buyback we announced in Q1 has started in May and is well under way – being executed faster than the first share buyback we conducted roughly two years ago. As of June 30, shares worth more than 350 million have already been bought back. In the meantime, we have already exceeded 400 million.

We have updated our 2025 guidance and narrowed the ranges, broadly correlating with the current market expectations, in parts even slightly above, and we continue to expect a stronger H2 topline versus H1. Our guidance for the full year continues to include effects from tariffs around the globe. With the setup that we have, we benefit from the fact that we source and produce the vast majority domestically.

With that, let's turn to our Adhesive Technologies business, where we leverage growth opportunities along the global megatrends mobility, connectivity, digitalization, urbanization, and sustainability.

Today I would like to focus on how we drive sustainable innovations across segments and thus help customers across industries to benefit from impactful, eco-efficient solutions and also meet their environmental goals. In the following, I will highlight three specific examples that demonstrate how we are translating sustainable innovation into short- but also into long-term growth.

Let me begin by reaffirming our strong commitment to advancing smart debonding solutions, a key enabler of future ready designs and sustainable growth. Our goal is clear. Reducing costs and maximizing resource efficiency through innovative debonding on demand. The impact is the substantial:

We are enabling circularity at scale, facilitating repair, reuse, and recycling across multiple industries. This is particularly relevant for high-value components where repair and re-use offer significant economic advantage. Regulatory developments such as the right to repair in electronics further accelerates the need for scalable solutions that support extended product life cycles.

With de-bonding and re-bonding, we are taking a key step towards a more sustainable and economically viable future. A good example of how we put this ambition into action is the establishment of a global network of battery engineering centers.

These state-of-the-art facilities located across all major regions are designed to support the full battery development cycle from digital modeling and simulation to automated material applications, through testing and validation, including advanced battery debonding capabilities. To enable circularity at scale, Henkel has co-founded alongside leading industry partner Path.Era, a scalable ecosystem for digital battery passports.

Path.Era is built to enable full traceability, including information on carbon footprints, materials, and recyclability across the battery value chain. All of this is integrated under one roof within our strong innovation network – enabling collaboration, speed and scale. And we also continue to unlock organic growth through sustainable innovations in the fast growing market.

In our metal packaging business, we are outperforming the market with high single-digit growth driven by a clear focus on sustainable and customer-centric innovation. An example that clearly stands out within this segment is the first to market low temperature and low foam can cleaner. This innovation allows for a temperature reduction of up to 24 °C in the can washer and thus enables efficient and sustainable beverage can manufacturing, resulting in significant energy savings and up to 25% less water consumption.

Over the past three years, we have tripled the size of our low temperature and low foam business and we expect it to grow double-digit through 2028. This momentum will accelerate the performance of our metal packaging business overall even further. Another compelling example of how we drive future growth through innovation comes from the hydrogen market, a sector poised for exponential expansion.

With our thread sealants tested for hydrogen compatibility, we are shaping the hydrogen industry. In a market where formal standards are still emerging, we are setting the bar with our proven LOCTITE solutions that combine safety through leak prevention and are certified for hydrogen compatibility –whether in electrolyzers, pipelines, storage tanks or fuel cell systems.

The performance of our solutions – validated through high pressure endurance testing – translates directly into higher efficiency across hydrogen production, transport, and use. Our hydrogen-ready adhesive and sealant solutions are increasingly supporting critical devices and components throughout the hydrogen ecosystem, leading to an estimated full addressable market of more than EUR100 million by 2030 in Thread and Flange Sealing solutions alone.

Overall, the global hydrogen market is highly attractive and expected to expand 4 to 5 times by 2050. As clean hydrogen scales, our hydrogen-ready solutions are designed to reduce leaks, extend equipment life and support the industry's transition towards net-zero emissions – positioning us uniquely to grow with the clean energy transition.

Let's move now to the consumer business. In Consumer Brands, we are consistently investing in innovation and brand equity with the same strong momentum, particularly across our top 10 brands, which meanwhile represent around 60% of our sales. In the second quarter, our top 10 brands delivered clear topline acceleration, achieving more than 3% organic sales growth driven by a positive and a balanced development in both price and volume development. Innovations are key in order to enhance the valorization of our portfolio in Consumer Brands and drive further top- and bottom-line growth.

And we are keeping up with the appropriate investment levels behind our brands in order to fuel further growth. Let me now also share some specific examples on how we are creating consumer-centric innovation by leveraging global trends and our technology leadership to offer strong added value for consumers.

As we continue to drive growth across our top 10 brands, we are also strategically investing in our ambition to become the Authority in Hair. A key pillar here is the expansion of our global footprint with dedicated regional innovation hubs. After the successful launch of the Henkel House of Hair in Hamburg, we have now opened additional hubs in Los Angeles, Guadalajara, and Tokyo.

In Q2, our Hair business achieved more than 3% organic sales growth. The rollout across North America, Latin America, and Asia clearly strengthens our position as the number two player in our active hair markets globally and reinforces our commitment to consumer-centric innovation. The hubs allow us to be closer to our consumers and professionals in each region, enabling us to better understand and respond to local hair needs and preferences.

On a global level, we unite around 1,000 hair experts from R&D, marketing and sales and integrate customer testing under one roof, creating a collaborative environment to capture global trends and accelerate innovation. Altogether we drive over 750 R&D projects, conduct more than 3,000 customer tests annually, and empower more than 11,000 hairdressers with cutting-edge education.

By engaging directly with local consumers and professionals while leveraging shared insights across regions, we are acting as one global team delivering superior hair solutions that meet diverse needs across all categories. And also here now, let me highlight some recent innovations that are contributing to our strong momentum across care, coloration, and styling.

Schwarzkopf, our number one masterbrand in our Consumer Brands portfolio comprising consumer and professional products and including brands like Gliss and now also Creme Supreme, delivered mid-single digit organic growth with strong volume contribution in Q2.

Gliss contributed to this performance with mid-single digit organic growth and strong volume development, also supported by the launch of the Gliss Full Hair Wonder care line in Q1, an innovation rooted in deep consumer insight. It's innovative dual-action formula, combining caffeine and

peptides, directly addresses widespread concerns around hair thinning and breakage, delivering visibly fuller hair in just six weeks. This market success of this innovation translated into a market share gain of [30 basis points] (corrected by company after the call) in the first half of this year.

The ongoing rollout of our new sub-brand Cream Supreme contributed to the high single-digit growth of our Consumer Coloration category in Q2. It directly addresses the number one concern in hair coloration: damage. With a unique three-step bonding routine from pre-serum to even out hair porosity, bonding color cream for long lasting color and protection, and bonding masks to repair and strengthen post-coloring, it is the first at home coloration offering anti-damage protection at every step.

This innovation not only elevates consumer experience but also drives premiumization within the category by combining salon-inspired care with high-performance color results. Creme Supreme significantly strengthens our competitive edge, particularly in the strategically important blinding segment.

Another strong example is our successful styling brand Got2b, which delivered high single-digit organic growth in Q2. This was driven by trend-led innovations like the glued wax stick, and tinted gels for brows and edges, addressing the demand for ultra sleek looks and fuller brows, resonating strongly with younger audiences.

With presence in over 50 countries, Got2b has firmly established itself as the number one styling brand globally for Gen Z and Alpha. And finally, SYOSS is a great example of how we drive premiumization across all categories care, color, and styling. Following a comprehensive brand relaunch, SYOSS achieved mid-single-digit organic growth in Q2. With more advanced formulations and a renewed brand identity, SYOSS now delivers an upgraded product experience while reinforcing its longstanding heritage of professional performance.

For the full year now we built on our strong innovation pipeline with impactful launches across Laundry & Home and Hair, launching new formulations and filling geographical white spots. Our pipeline for 2025 is well-filled and, as outlined at the beginning of the year and during our Q1 call, we expect a stronger contribution from innovation launches to the topline growth in the second half of 2025.

For the first half of '25, we had numerous launches across categories with a stronger focus on Hair. Let me give you some more examples of what lies ahead. Amongst others, key highlights will include the launch of Persil Giant Discs designed for large laundry loads with triple-action formula for deep cleaning.

Furthermore, we will be introducing the super-premium Sublimic Timetic line by Shiseido in Asia, offering advanced hair repair and scalp care technology. And with Perwoll, we will proceed with the regional and geographical expansion of this very successful top brand, thus further strengthening our premium fabric care footprint in high-potential markets. These and other launches will play a key role in supporting the topline acceleration in Consumer Brands in the second half of 2025.

And now turning to our full year 2025 outlook, we have updated our '25 guidance and narrowed the ranges, broadly correlating with current market expectations, in parts even slightly above. At the Group level, we now expect an organic sales growth of 1% to 2%, an adjusted EBIT margin of 14.5% to 15.5%. And a low to high single-digit percentage increase in our adjusted EPS at constant exchange rates.

As outlined before, our guidance for the full year continues to include effects from tariffs around the globe. We also still expect a stronger topline in the second half of the year, as outlined before, among the main drivers are the following: In Adhesive Technologies, we expect a stronger topline performance in H2, supported by the partial reversal of the negative working day impact in Q3, continued strong growth in the Electronics and Industrial business, and additional wins in the Automotive.

In Consumer Brands, we have a well-filled innovation pipeline with stronger topline contributions expected in the second half of the year, while investments in marketing and R&D remain on elevated levels. Also, the self-inflicted supply chain related topics have been fully resolved by the beginning of Q2. Furthermore, we see our more recent acquisitions contributing in both business units and also see benefits in regard to positive mix on gross margins deriving from the Retailer Brands divestment in Consumer Brands.

And beyond these drivers, we are well under way when it comes to our margin development, which is why we updated the range to 14.5% to 15.5%, supported by an overall good product mix, efficiency gains, and net savings from the Consumer Brands integration.

With this, let me hand over to Marco, who now will lead you through the key financials of the first half in more detail. Marco.

Marco Swoboda - Henkel AG & Co KGaA - Executive Vice President - Finance, Purchasing, Global Business Solutions and Member of the Management Board

Thanks a lot, Carsten, and good morning to everyone in the call also from my side. So building on what Carsten already shared, let me provide some color on the drivers of the Group sales performance in the first six months of fiscal 2025. Organic sales growth came in flat in the first six months, and after a softer start into the year, we saw a clear acceleration in the second quarter with positive growth of close to 1%. On Group level, pricing contributed with plus 1.3% while volumes were below prior year. More on the business unit specifics in a minute.

Acquisitions/Divestments reduced sales by 0.9%. While the divestment of our Retailer Brands business in North America had a negative impact, the acquisitions of Vidal Sassoon and Seal for Life contributed positively. And for the full year we continue to expect a low single-digit negative impact on sales, mainly driven by the divestment of our Retailer Brands business in North America.

Foreign exchange was a headwind of minus 2.8% in the first half, and given the overall high volatility in relevant currencies and in particular, of course, the weakening dollar, we now expect the headwind for the full year 2025 to rather be in the low to mid-single-digit percentage range.

And in nominal terms, sales amounted to EUR10.4 billion and 3.8% below the prior year. And now turning to the drivers in the respective regions in more detail. Starting with the Asia Pacific where we achieved good growth of 3.4%. The Adhesive Technologies business contributed with a very strong increase, which was particularly driven by the continued growth dynamics of our Electronics business in China.

In contrast, the Consumer Brands business was below prior year. In IMEA – India, Middle East, Africa – we grew 9.1% with significant contributions from both business units. In Latin America growth was 0.4%. Consumer Brands came in below prior year, mainly due to Laundry & Home Care, while Hair recorded very strong growth. In Adhesive Technologies we recorded very strong growth in Latin America while supported by an ongoing strong performance in Mobility & Electronics.

Moving on to Europe, where sales were below the prior year in both business units. In Adhesive Technologies, this was mainly due to Craftsmen, Construction & Professional. And in Consumer Brands Hair recorded good growth while Laundry & Home Care was below prior year. And important to note in Consumer since May we saw positive OSG rates so basically confirming the positive trend that we have seen in the second quarter.

In North America, the sales development came in at minus 3.4% in the first half and thus improved versus minus 5.6% in Q1. Adhesive Technologies came in below prior year driven by the negative development of Packaging & Consumer Goods, as well as Mobility & Electronics. The latter was impacted by the overall challenging development in the automotive market with a light vehicle production index of close to minus 6% for the region in the first half.

Consumer Brands sales development in North America came in below prior year in the first half, reflecting the subdued consumer sentiment and customer destocking, particularly in the first quarter. While in the second quarter we saw a clear sequential improvement leading to positive growth in the quarter in North America.

Back to the global level and turning to Adhesive Technologies in more detail. We reached sales of EUR5.4 billion in the first half of fiscal 2025. Organic sales growth was 1.2%, supported by balanced price and volume mix, and this despite the negative working day impact which accounted for around 1 percentage point. The adjusted EBIT margin came in at 17.2%, and that's around 20 basis points higher compared to the first half of 2024.

Overall, Adhesive Technologies showed a robust development. Encouraging to see was a slight increase in organic sales growth in the second quarter. Pricing clearly remained in positive territory, which reflects the strength of our market positions globally and the broad portfolio we have in place. Volume development was also in the positive territory. Working-day adjusted, even reaching around plus 1.4% in H1.

The adjusted EBIT margin came in at 17.2%, reflecting an improvement versus the comparable prior year, and this positive development was primarily supported by an overall better mix with our Electronics and Industrial businesses being the main growth drivers this year.

As Carsten mentioned earlier, we expect a stronger topline in the second half versus the first half of 2025, particularly driven by volumes and the partial reversal of the working day impact in Q3, while pricing is expected to remain more or less on similar levels.

Now let's turn to the performance in the individual business areas where we saw different dynamics. Mobility & Electronics was again the main driver with a plus of 2.8%. This increase was mainly coming from a double-digit growth in Electronics and very strong growth in Industrials. This could more than offset the still muted performance in Automotive.

Packaging & Consumer Goods remained flat when it comes to organic sales growth in the first half. In Consumer Goods, we saw a positive development while Packaging was slightly negative due to lower demand. Craftsmen, Construction & Professional delivered organic sales growth of 0.6%. This was particularly driven by good growth in Construction. Consumers & Craftsmen, as well as Manufacturing & Maintenance, showed a stable topline development.

Moving now to Consumer Brands, the business generated sales of EUR4.9 billion. Organic sales growth was minus 1.6%, thus reflecting high prior year comparables, due to strong innovation launches in the first half of 2024, pronounced customer destocking in North America, particularly in Q1, and some supply chain challenges we faced in the first quarter which in the meantime have been fully resolved. Please note that in 2025 topline contribution from innovation launches is still expected to be more skewed towards the second half of the year.

Pricing remained in positive territory, contributing 1.8% to organic sales growth. We also recorded an EBIT margin expansion in the first half of 100 basis points versus the comparable prior year level. An overall better mix, further net savings and efficiency gains in the ongoing valorization contributed to this development. We saw a clear volume improvement of 430 basis points in Q2 when comparing to the first quarter, leading to positive organic sales growth in the second quarter.

The supply chain self-inflicted challenges we dealt with, particularly in Q1, have been fully resolved by the beginning of the second quarter, that's only having had a minor spillover impact into Q2. Also destocking was less of a drag in Q2 versus Q1. We expect volume development to improve further in the course of the year, supported particularly by higher topline contribution from innovation launches. Considering prior year comparables, topline growth in Q4 is expected to be stronger than in Q3.

Continued positive pricing reflects the ongoing valorization of our portfolio with strong innovations flanked by marketing investments at sustained elevated levels. We also recorded an EBIT margin expansion in the first half of 100 basis points versus the comparable prior year margin level. The ongoing valorization contributed to this positive development while we continue to invest behind our brands, including marketing to fuel further growth.

In addition, we also succeeded in realizing further incremental net savings in the first half. One main driver was a complexity reduction by around 22% in our supply chain and thus getting close to the targeted 25% by the end of 2025. This was achieved by reducing the number of production sites, production lines, warehouses, contract manufacturers, and co-packers. As you can see, we're well on the way to achieve the targeted EUR100 million savings by the end of fiscal 2025.

Thus we are well on track in reaching the targeted EUR525 million in annual net savings by the end of this year. Now turning to the performance by business area. Laundry & Home Care reported organic sales growth of minus 2.6%. Home Care delivered positive growth driven by very strong growth in the Dishwashing category with a significant contribution from our top 10 brand Pril. Laundry Care was negative due to Fabric Cleaning, while Fabric Care continued to deliver very strong growth supported by top brands such as Perwoll.

The business area Hair, which comprises both Consumer and Professional, delivered close to 1% organic sales growth, thus showing a nice sequential topline acceleration versus the first quarter. The Consumer business delivered good growth mainly driven by very strong growth in [Coloration] and a strong contribution from our megabrand Schwarzkopf, as well as Got2b and SYOSS.

The Professional business was slightly negative in H1 impacted by the muted consumer sentiment and customer destocking in North America, in particular in the first quarter. However, also here, organic growth showed a clear sequential acceleration in Q2 versus Q1. In Other Consumer Businesses, we also saw sequential improvements in Q2. However, on H1 level, organic sales growth remained below prior year due to Body Care in North America and Europe.

Back to the Group level again and with that to the components of the adjusted income statement. We increased our adjusted gross profit by 60 basis points, now reaching 51.3%. This increase was driven by positive mix impacts and strategic measures such as the ongoing valorization of our portfolio and supply chain efficiencies in Consumer Brands.

Marketing, selling, & distribution expenses accounted for 27.6% of sales and thus came in on the same level compared to prior year. R&D expenses in relation to sales slightly increased to 2.9%. Other operating income/expense had a rather neutral impact as a percentage of sales, and as a result, the adjusted EBIT margin showed a strong increase by 60 basis points to 15.5% for the Group.

Moving on to the bridge from reported to adjusted EBIT. At EUR1.5 billion reported EBIT was up 5% compared to the previous year level. One-time income of EUR23 million was mainly related to gains resulting from a previous divestment. One-time expenses of EUR51 million are mainly related to a pension liability adjustment, acquisition related costs, as well as costs in the context of the Consumer Brand's merger.

Restructuring charges amounted to EUR46 million with a majority related to the optimization of our production and logistics footprint in both businesses. As a result, adjusted EBIT came in at around EUR1.6 billion and thus slightly above the prior year level. Taking a closer look at the bridge leading to the adjusted EPS. The adjusted financial result amounted to EUR21 million and thus further improved compared to prior year. The adjusted tax rate at 25.5% and hence on prior year level.

Finally, adjusted net income came in at nearly EUR1.2 billion. This translates into adjusted earnings per preferred share of EUR2.81 and represents an increase of 1.1% year over year or at constant currencies of even an increase of 5%. So further to our cash KPIs, networking capital as a percentage of sales increased by 80 basis points year over year to a level of 6%. That development was mainly driven by high inventory levels, including investments into safety stocks.

Our free cash flow came in at almost EUR500 million and hence declined over year due to, amongst others, net working capital volatility as well as high CapEx investments. Our net financial position came in at around minus EUR500 million. The decline versus the end was mainly due to cash outflows for increased dividends and the current share buyback. Overall, our financial position remains strong and gives us flexibility and room to further invest into the businesses.

Closing the chapter with our updated outlook for fiscal 2025 and with narrowed ranges for both top- and bottom-line; now broadly correlating with the current market expectations, in parts even slightly above. The full year guidance also continues to cover the currently expected financial impact resulting from the US tariffs.

Having said that, we now expect organic sales growth of 1% to 2% for the Group, and for Adhesive Technologies, we now guide 2% to 3% and for Consumer Brands, we guide 0.5% to 1.5%. In terms of phasing, we continue to expect organic sales growth to be stronger in the second half versus the first half, and that holds true for both of the business units.

When it comes to phasing in the second half, please consider that in Consumer Brands we have more favorable comparables in the fourth quarter. And for Adhesive Technologies, we expect the reversal of the working day impact to happen mostly in the third quarter.

For the adjusted EBIT margin, we now anticipate a level of 14.5% to 15.5% on Group level backed by the already strong performance in the first half. For Adhesive Technologies we now expect 16.5% to 17.5% and for Consumer Brands, 14% to 15%. For adjusted EPS growth at constant currencies, we continue to expect an increase in the low to high single-digit percentage range.

Our expectations regarding acquisitions and investments impact, direct material prices, and CapEx for fiscal 2025 remain unchanged. We slightly lowered our expectations for restructuring expenses to a range of EUR150 million to EUR200 million. And when it comes to foreign exchange rates, we now expect the negative currency impact on sales to be in the low to mid-single-digit percentage range.

And with that, back to you, Carsten.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Thank you, Marco. So let me summarize today's key takeaways before we come to your questions. Our half year results are in line with what we had indicated in our full year call in March and in our Q1 call. It is very encouraging to see the sequential acceleration in organic sales growth in Q2, particularly in Consumer Brands, leading to both businesses ending up in positive territory.

In addition, Henkel also recorded a strong EBIT margin increase driven by very strong gross margins and favorable mix while keeping up with sustained investment levels in order to fuel further growth. In addition, EPS at constant currencies grew strongly by 5% versus the prior year, a solid achievement given the exceptionally strong 2024 baseline.

The share buyback we announced in Q1 is well underway and being executed faster than the first share buyback we concluded and conducted roughly two years ago. As of June 30, I mentioned that shares worth more than EUR350 million have been bought back. In the meantime, we have already exceeded the EUR400 million.

We have updated our '25 guidance and narrowed the ranges, broadly correlating with market with current market expectations in parts even slightly above, and we continue to expect the stronger H2 top line versus H1. Our guidance for the full year continues to include effects from tariffs around the globe.

And with this now, let us move on to the Q&A. Marco and myself are looking forward to taking your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Guillaume Delmas, UBS.

Guillaume Delmas - *UBS AG - Analyst*

Thank you very much and good morning Carsten, Marco, and Leslie. First, very quick housekeeping, but in the past few quarterly calls, Carsten, you've talked about a strong start to the quarter both for top- and bottom-line. Just wondering if it's also the case for the current quarter.

And then my question, so it's on Consumer Brands and basically that is not the top 10 brands in Consumer Brands because given that the top 10 grew by more than 3% in Q2, I mean it would imply that the rest of Consumer Brands declined by, I don't know, around 4% in the second quarter. So that's 40% of your business declining by 4%.

My question is, are there some outliers in that 40% of your Consumer Brands business, so one or two businesses primarily responsible for that decline, or do you see a relatively soft performance across the board? And looking ahead, what is the plan to try and improve the growth of this part of the portfolio, I guess to ensure that it doesn't dilute too much the good developments you're now seeing with your top 10 brands.

Thank you very much.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Good morning Guillaume. You start already with a clever question with the trading of Q3. You know that we're here for the half year results, but I anticipated your question and let me phrase it a little bit differently. And start with both businesses. If I look at Adhesive Technologies, we have seen positive and good organic growth in the months of May, in the month of June, and also in the months of July. That means three months in a row, positive organic growth and I have to say fortunately the same is valid for Consumer Brands. That means also in May, June, and also in July we have seen positive organic sales growth in HCB worldwide, and I think that is also in the context of why we believe H2 will be stronger than H1. There is a certain trend which is in that context the positive after the very soft and challenging start into the year for both businesses. So I think that is for sure reinsuring that what we would like to see and get that half year two is stronger than half year one. That's the first message.

Second, your question on the top 10 Consumer Brands. So first of all, it's definitely our strategy to accelerate our top 10 brands and therefore I think more than happy that this goes into the right direction. What you just also outlined that what we have said that there was really a good strong organic growth in the quarter and I think even more important, supported by both price and volume in that context. If you look at the other 40% of the business, I would say in these days it is that the most pressure is definitely in the Laundry & Home Care area which is more macro related.

Not necessarily in Hair or in hair salon because Hair is in general strong and that is across the board. On the other side, we will continue with our valorization process, investing behind our brands and also, I think what is important, we expect also in the second half of the year more launches in the Laundry area which also will contribute to a better full year performance also of the brands which are, in the remaining of the top 10 brands and last but not least.

You know that in the meantime, the retailer branded business is now out, which was from the margin and also from a topline perspective, a dilutive business, and here you also see some positive contribution as of Q2. And at the end of the day for sure, it's also important to mention which has an impact also on profitability, but also on topline is the better mix going forward. A little bit longer the answer, but I hope that clarifies your question.

Guillaume Delmas - *UBS AG - Analyst*

Very clear thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

You're welcome.

Operator

Elliott Callum, Bernstein.

Callum Elliott - *Sanford C Bernstein & Co LLC - Analyst*

Great, thank you very much, it's Callum at Bernstein. My question is, do you guys track price gaps versus your peers or versus private label as a KPI for your business? I ask because when I look at the data, the gaps look quite elevated for Henkel today relative to history, and I wonder if this could

be a contributing factor to both the weak growth that we're seeing, but also the very high gross margins that you're seeing today. And whether there's a risk that we might need to see some price cuts across the business. Thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

For your question. I think the short answer, on your question is, valorization and strong marketing support, but to give a little bit more meat to the bone, I think our strategy which we started with the integration or with moving together our consumer businesses under one roof was clearly the point of getting more valorization into execution and that means a good balance between price and volume.

I think if you go back, I think we were sometimes maybe too much on volume and now I think we're getting into a better mix. I know that the start into the year was not good enough, but also mainly related to macro and weak consumer demands, especially in Europe and the US. Nevertheless, I think these valorization measures help us really improving that and getting to, what I just said before, a better balance in terms of volume and pricing, and I think you can already see really a good development on that if you again look at the top 10 brands of our portfolio where I mentioned that there is already a good balance between pricing and volume and for sure the consumer sentiment has not been helping us in the first, I would say 4 months of the year very intensively for sure there is still the consumer sentiment which is not perfect and it is still persisting. Nevertheless, also here maybe to give you also some additional insights is that in Consumer Brands, especially in these two regions I just mentioned before, North America and Europe, we have seen also in the same month I referred before May, June and July positive organic net sales development.

And at the end, the valorization is depending on the innovations with you know which we bring to the market and addressing the consumer needs and that at the end it brings us into the situation to create and bring higher prices to the market. And at the end, the innovations which we have brought have also shown in certain parts visible market share gains in that context. Hope that helps.

Callum Elliott - *Sanford C Bernstein & Co LLC - Analyst*

Thank you very much.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

You're welcome, Callum.

Operator

Celine Pannuti, JP Morgan.

Celine Pannuti - *JPMorgan Chase & Co - Analyst*

Thank you. Good morning, everyone. So I'm sorry, I'm going to continue on Consumer Brands, a few questions. So we just talk about pricing. I would like to talk about volume. Carsten, you mentioned that there was a 400 basis points sequential volume improvement in the quarter and you had no more impact from this destock nor and that you had resolved the supply chain. So, I understand that you have this, innovation pipeline. Can you talk about when is that landing? Is it already helping in Q3 and will we see positive volume, in Q3 in Consumer Brands. And maybe as a follow up:

Some of your competitors have been speaking about a weakening consumer environment in those two regions. You mentioned North America and Western Europe as we exited the quarter. I know you mentioned that you had positive growth in July, but how do you expect the competitive environment to develop if demand has weakened? Thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Yeah, good morning, Celine. Happy to take your question. Maybe I start with the second one. For sure, I cannot exactly understand what the details of portfolio topics or consumer sentiment is within competitors. You know what we see, and I think that is also why I was mentioning the months of May, June, July, that the consumer sentiment for sure is still not good enough, but it has been at least bottomed out over the last couple of months, so I would say our performance is a combination of on the one side better innovations accepted by consumers is the topic what you also mentioned not anymore the supply chain issues which we solved at the end of quarter one/beginning of quarter two and also less destocking in Q2 versus Q1. I think that is the combination why we believe that the consumer sentiment – again still not good enough where we would like to be – but better than in the first four months.

And if I come back to now to your first question in terms of volume. First of all, yes, we had the Q1, which was with minus 550 basis points volume for sure not a good start. We improved it by 430 basis points in quarter two, now to a level of minus 1.2%. And I hope you understand that I will not guide now on a quarter three or four.

The only thing that I can tell you is technically Q4 will be easier in terms of comps, and you have still heard me that we still stick to what we announced already at the beginning of the year that our ambition is to get into flat/positive territory for the year. For sure that's an ambition and as you know consumer sentiment has been more weak than we anticipated at the beginning. It is clear that the ambition is still very challenging, but we don't give up on that.

On the other side that the stronger topline contribution is expected for H2, and that is related to innovation. That was also the reason why we had integrated in my part of the presentation a chart showing you several innovations, a little bit more on Laundry & Home Care. That was also my comment when I think it was Guillaume when he was asking about the performance going forward that we expect also Laundry & Home Care a little bit better in the second half based on more innovations which are coming in half.

Celine Pannuti - *JPMorgan Chase & Co - Analyst*

Can you just say your calendar even innovation, is it equal Q3, Q4 or is it more Q4 weighted?

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Say it again. I did not get it acoustically.

Celine Pannuti - *JPMorgan Chase & Co - Analyst*

Yeah, the innovation pipeline, is it, more, balanced between Q3 and Q4 or more weighted towards one quarter?

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

No, Celine, I would say really it's balanced between Q3, Q4. The big difference is, I would say the comps because you know the comps in Q4 are easier than Q3, and that for sure has an impact which is more again what I said, more a technical part, but overall I would say in Q3 it's quite balanced between when it comes to innovation, but again comps are different. Hope that clarified.

Celine Pannuti - *JPMorgan Chase & Co - Analyst*

Yeah, thank you.

Carsten Knobel - Henkel AG & Co KGaA - Chairman of the Management Board

You're welcome, Celine.

Operator

(Operator Instructions) Christian Faitz, Kepler Cheuvreux.

Christian Faitz - Kepler Cheuvreux SA - Analyst

Yes, thanks. Thanks for taking my question. Good morning, Carsten, Marco, Leslie, and team. With the Professional Hair business having been impacted by weaker North American consumer demand, as you said, can you please give us a rough idea/reminder of the regional split in Professional? I would believe Europe is still the dominating region, correct?

Carsten Knobel - Henkel AG & Co KGaA - Chairman of the Management Board

Good morning, Christian. Quite a challenging question for me to get that off the top of my mind, but the thing is that I need to correct you a little bit. It's not Europe, which is the strongest part in the Professional business is North America. It's roughly half of the business of Professional worldwide and in that context you know that also our regional headquarters sits in Los Angeles in Culver City, and in that we have combined all our brands and aspects not only Schwarzkopf, sexy hair, Joyco, and, you know that is a combination of acquired and own-based development and in that context really the strong part here, 50% of the business is in North America and we have seen strong organic sales growth in Professional in Q2 with all regions contributing in that context positively with really good growth in North America and in APAC and LATAM contributing here double-digit. Hope that clarifies a little bit more the context on professional.

Christian Faitz - Kepler Cheuvreux SA - Analyst

Yes, thanks very much.

Carsten Knobel - Henkel AG & Co KGaA - Chairman of the Management Board

You're welcome, Christian.

Operator

David Hayes, Jefferies.

David Hayes - Jefferies LLC - Analyst

Hello, good morning all. So my question is on marketing and selling costs. So I think it was only 10 basis points higher in the in the first half, according to the bridge, which obviously compares to 180, I think it was last year. So the questions are, is the additional spending done? Is that kind of the sort of flat level that you'd expect to see now moving forward?

And/or was there a little bit of a cut to marketing plans in the first half because of the consumer environment? It wasn't worth spending maybe on some of the projects that that you had lined up. And then I guess just going into the second half, should we expect that number to increase because of the innovations and putting more money behind it, or again is the spending at the right level, it wouldn't be much of a delta in the second half. Thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Yeah, good morning, David. Also, maybe starting with the first thing in order not to get any misunderstandings. The improvement of our 60 basis points of margin improvement in the first half of the year to 15.5% of the total company, there is not any impact of less spending in terms of marketing. You know that predominantly that is related to our Consumer Brands business and we have neither from a relative perspective nor from an absolute perspective any cuts in marketing.

It is above the comparable prior year level and in that context, the margin improvement is really coming from gross margin improvements, better mix, innovations, and the efficiency and the efficiency mainly related also to again our good development in the integration of the Consumer Brands business and the merger. And for the second half we expect higher marketing spend in the second half versus H1 and that is clearly related also what we said that in this year our innovation approach is more prominent in the second half than first half, and I think we have brought the marketing spending really to an elevated level where we believe and where we feel good in terms of supporting our innovations in the right thing, but overall it will not be significantly higher if I take the full year than 2024 because already in 2024, I told you last time or at the beginning of the year, we had spent so much more than the years before and we have reached a level where we feel comfortable in terms of supporting our top brands or our portfolio in general. Hope that helps.

David Hayes - *Jefferies LLC - Analyst*

That's great thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

You're welcome, David.

Operator

Patrick Folan, Barclays.

Patrick Folan - *Barclays Services Corp - Analyst*

Hey, thanks. Good morning, Carsten, Marco, Leslie. Thanks for taking my question. Can you maybe comment on some of the moving parts behind the lower guide, what made you more cautious here? Is there a tariff element in here that maybe is driving the downgrade, or is there certain markets you are more cautious on now than where we were in Q1, and maybe specifically within that, is there certain categories that you are a bit more cautious on is it Laundry & Home Care in the second half despite innovation coming along. Thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

I would give that question to Marco in a context that the guidance is related to. So you're asking for drivers for the lower guidance for the lower topline guidance because you know the bottom-line guidance has been increased, but Marco, go ahead.

Marco Swoboda - *Henkel AG & Co KGaA - Executive Vice President - Finance, Purchasing, Global Business Solutions and Member of the Management Board*

Yeah, good morning, Patrick, and yeah, let me comment on that. So what we see basically is that the uncertainties overall in the economy and also the geopolitical volatility does persist longer than initially expected, and a lot of that also of course related to the North America development and

that's basically the overriding theme and what I can say, we see signs of improvement and as we elaborated in the call already in the second quarter, improving also the first quarter.

And also seeing some positive OSG's in North America and also in Europe in Consumer, but still the whole environment keeps on being quite muted and that has also led us to also now be more precise in the guidance. And that is also important to note because typically middle of the year is very much appreciated also if we narrow the guidance and that was also what we wanted to do to give you a better, clearer picture of how we see the year coming in. Because if you just look at the midpoints of the new guidance that is still within the ranges that we communicated beginning of the year. So you see it's now more narrowing the ranges and of course considering the environment we are in, but and that I think is fully expected also by the market as we have seen the consensus. So no principally new trends, but of course now taking also note of what we see around us and how we see that impacting the second half and the full year.

Patrick Folan - *Barclays Services Corp - Analyst*

Got it, thank you.

Operator

Rashad Kawan, Morgan Stanley.

Rashad Kawan - *Morgan Stanley - Analyst*

Hey, good morning Carsten, Marco and Leslie, thanks for taking my question. So. If I can ask on margins, you delivered at the top end of your guide for H1, which implies a bit of a sequential contraction in H2 at the midpoint of your revised guide. Can you walk us through just the building blocks, the margins in H2? I mean, I think you mentioned tariff implications having a bigger impact, but is there anything else structurally to have margins be lower in the second half versus the first half? Just trying to work out whether there's a bit of an element of conservatism with the margin guide here. Thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Rashad, good morning, and for sure happy to do so, but maybe again to put it a little bit in context, so considering the strong performance in H1 and the expectations for the rest of the year, we have, as you have seen, narrowed down the EBIT margin guidance ranges for both the Group and the two business units and with that cut off the lower ends and in consequence raised for sure the midpoint of the guidance for both businesses.

Related to the phasing H2, we expect margin levels for the Group to be higher in H2 versus H2, and that holds particularly true for our Consumer Brands business and what are the reasons behind it. The reason is, first, and I think that is a clear consequence of what we have been saying also before and in the other calls, we expect marketing spend to be more skewed towards H2 to support our launches. That is the one thing. The second is a less favorable mix in HCB in H2, considering expected recovery in particular in Laundry. I referred to the chart I had in my presentation where I was showing the H2 innovations which are a little bit more Laundry & Home Care dominated than Hair. And as the Hair business is on higher margins than the Laundry & Home Care business. And third, but that is a minor point. Raw materials are maybe a little bit expected to be slightly higher in the second half, but really that's a minor point. The two important parts. The marketing spend and the less favorable mix in HCB. That's for HCB and for Adhesive Technologies, we expect a roughly balanced bottom-line development between H2 and H1, so not bigger deviations. I hope that helps and clarifies your question.

Rashad Kawan - *Morgan Stanley - Analyst*

Yeah, very clear. Thank you very much.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

You're welcome, Rashad.

Operator

Victoria Petrova, Bank of America.

Victoria Petrova - *BofA Merrill Lynch Asset Holdings Inc - Analyst*

Thank you very much. Just a very small clarification questions. First is on Electronics. It was pretty strong for you. Do you think there was some forward purchasing of your Adhesive Technologies, given tariff impact and some forward production, forward uploading of retail channels. And my second question is on Professionals. It's obviously a bit of a different business. Do you think you underspend on sales force there and that leads a slowdown, or is it just a temporary consumer environment? Thank you very much.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Yeah, good morning, Victoria. Yeah, first to your first question of Electronics, no, there is no significant pre-shipping or uploading in that context. We have seen really a strong performance and we expect that performance also going forward. There is no sign or anything also, related to what we have seen in July that there is anything related to your question. So really good performance and therefore for sure it's very good to have high gross margins in that business, high EBIT margins in that business, so that's for sure a good impact on our business in general.

So expectations for H2 continue that good performance. Together, I think we have mentioned that, together with our industrial business which also had a strong H1, and we expect also that this continues to do in H2. Your second question. In terms of Professional, that was how performance is, I have to say here I think we always, I always try to convey the point that we are really strong in our Professional business and that we have really good momentum that is also related to the part that we have opened innovation centers or hair centers, House of Hair not only in Hamburg but also across the world in LA, in Guadalajara in Mexico, and in Tokyo in Japan, and we have seen a really accelerated performance in Q2 of the Professional business and the main reason why that was not in Q1 was really the muted and the weak consumer sentiment, especially also in North America, and referring back to the question of Christian Faltz in terms of how big is the impact of Professional, I said 50% of North America.

That is related to that, we have strong relationships with our hairdressers and also related to our e-shop in that context and really here we have really a strong business which will continue to perform also in the second half of the year. So the only reason why the performance at the beginning of the year was not so much in favor was really the topic of this muted sentiment of consumers and the insecurity with all the topics of tariffs, etc. I hope that helps and yeah, thank you.

Operator

Thank you ladies and gentlemen. I will now hand back over to Mr. Carsten for his closing remarks.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

So thanks to all of you for your questions and for sure of your interest. And with that, let me close today's call with reminding you of the upcoming financial reporting dates. We're looking forward to connecting with you again in November when we will release our Q3 results. And with this, I would like to thank you for joining the call today. Have a good day. Take care. Goodbye, and see you. Bye bye.

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