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PRESENTATION

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

Good morning, and a warm welcome to everyone joining Henkel's Q3 2025 results conference call today. I'm Leslie Iltgen, Head of Henkel's 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 third quarter. Marco will then follow with a more detailed review of the company's financial performance. As always, following the presentation, we will open up the lines, and Carsten and Marco will be happy to take your questions.

Before handing over to Carsten, please let me remind you that this call will be recorded and a replay will be made available on our Investor Relations website shortly after this call. By asking a question during the Q&A session, you agree to both 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 US 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 - Chief Executive Officer*

Thank you, Leslie, and good morning to everybody. Warm welcome also from my side, 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 in the third quarter, we will elaborate on Henkel's business performance and the full year outlook in more detail. So let me move straight to the key topics and the highlights of the third quarter.

In Q3, we saw a clear acceleration in our top-line development. Both business units recorded positive organic sales growth in the quarter. Starting with Adhesive Technologies, they showed a positive price and volume development, the latter being supported by a partial reversal of the negative working day impact we had seen in the first half, as well as by a continued strong performance in Electronics and Industrials.

Consumer Brands showed a positive volume development in the third quarter, which is encouraging to see. Also the merger is in its final stages, and we will have successfully concluded the transformation of this business unit by the end of this year. And with that, clearly one year ahead of plan compared to what we had originally expected when we started this journey.

From a regional perspective, North America stood out with good organic sales growth supported by both business units. Further, I can also confirm that we continue to see a strong gross margin and a bottom line development. In regards to our share buyback, we are well on track, having executed around EUR700 million as of the end of October. And finally, when it comes to our full year guidance, the ranges remain unchanged.

Let's now take a deeper look into our Adhesive Technologies business, where global mega trends like sustainability, mobility, connectivity, digitalization, and urbanization create ample opportunities for further growth and allow us to drive customer-driven innovations across many different industries and applications. And more specifically, I would like to do a deep dive into the field of Electronics today and showcase how these global mega trends translate into attractive growth opportunities with the solutions we offer.

Driven by key industry trends, such as the rise of AI, new ways to construct devices and components or even regulatory changes such as the introduction of the right to repair, the different markets and industries where our electronic solutions came into play are undergoing a significant transformation. We can clearly observe how the scope and the value of material-based innovation is expanding.

The rapid advancements of artificial intelligence where we enable cutting edge solutions for globally leading industry players, the evolution of component and device design which leverages our materials expertise, or the increasing regulatory focus on sustainability, which we facilitate through de-bonding technologies. These are only a couple of examples.

Overall, electronic solutions are expected to show a high single-digit market growth potential in the coming years. We are strategically well positioned to capitalize on this momentum through our comprehensive and diversified portfolio in electronic solutions across industries. A prime example is our Semiconductor Packaging business, which is forecasted for long-term exponential growth.

To illustrate the breadth and the impact of our offerings, I will now highlight one representative solution from three of our four key segments, Semiconductor Packaging, Consumer Devices, and Industrials.

The immense rise of generative AI is reshaping the data center as well as the semiconductor landscape. As AI becomes more compute intense, there is a sharp rise in demand for advanced packaging, interconnects, and thermal solutions that can support high performance systems.

Our portfolio addresses these needs with cutting edge materials for thermal dissipation, electrical protection, and high reliability bonding – critical for next generations GPUs, CPUs, and memory modules, especially optical transceivers.

These solutions are already being deployed by globally leading semiconductor and data center players, helping them scale computing power, reduce cooling costs, and enhance system reliability. This positions us for double-digit growth through 2030, aligned with industry forecasts for AI-driven data center expansion.

Looking at consumer electronics, the push towards frameless, immersive displays is driving demand for innovative materials that support flexible and edge-to-edge designs. Our proprietary potting solution for flexible display protection directly addresses this trend. It enables manufacturers to reduce bezel size, unlocking more active display areas, which is a significant gain in user experience and device aesthetics.

Furthermore, it does not only improve design capabilities, but also increases device protection, enables a faster and simplified manufacturing process, and even contributes to environmental responsibility by reducing the amount of conventional molded plastics and reducing CO2 emissions in manufacturing.

This solution has rapidly gained traction, scaling to a double-digit million euro business within two years, outperforming market expectations and reinforcing our leadership in display material innovation.

And coming to our last example with Adhesive Technologies, the evolution of camera modules. The camera module market is experiencing rapid growth across several industries. This surge is driven by the rising demand for advanced imaging, especially in Consumer Devices and Automotive applications.

Adhesive Technologies is well positioned to support this evolution with the most robust total solution portfolio in the market. Our offerings cover all critical aspects of camera module and sensor assembly, from lens bonding, active alignment, and underfill to lens barrel attachment. These solutions don't only enhance functionality, but also significantly improve reliability.

In Automotive, for example, our one-step UV curve lens bonding technology enables our customers to reduce CO2 emissions and decrease manufacturing time, whereas traditional processes need two steps in manufacturing. Ultimately this is leading or this is leading to a double-digit growth for Consumer Devices and Automotive camera solutions following the market projections through 2030.

And now moving to our Consumer Brands. I would like to highlight that by the year-end we will have successfully concluded the merger and with that, the transformation of this business. We fundamentally reshaped our business, streamlined our organizational setup, actively shaped our portfolio, optimized our supply chain, and enhanced operational excellence globally.

All of this was achieved one year earlier than originally anticipated at the time we announced the merger. And accordingly, we are well under way to reach the targeted net savings of at least EUR525 million by the end of this year.

Overall, we significantly improved the quality of the business across multiple dimensions, while at the same time investing clearly more behind our brands. We have successfully built a strong multi-category platform with enhanced efficiency and competitiveness.

For example, we materially improved our rankings in FMCG relevance in terms of size in Europe. In addition, the retailer perception rating in the US significantly improved, which shows that we clearly strengthened our retailer partnerships. Overall, this demonstrates that we develop towards a more stronger and more relevant player in the industry. We have thus laid the foundation for solid, sustainable, and profitable growth in the years to come.

In Laundry & Home Care, we are a strong global player with leading brands. In Laundry, we are ranked number two globally in our active markets. We are shaping the future of laundry by focusing on selective strategic growth opportunities in key categories and also iconic brands. We are also leveraging our technology leadership to drive differentiation and value.

In Home Care, we are ranked number one globally in our active markets. We are driving market leadership by combining our investments with advanced technologies and setting new standards in dishwashing and toilet care.

Two good examples of how we leverage the growth opportunities with our top brands in Laundry Care are Persil and Perwoll. In Q3, Persil delivered positive growth driven by strong volume contribution. With the new Persil giant discs, which of course also include the trusted Persil quality in combination with its innovative triple action deep clean formula, we addressed the need to meet modern laundry demands with heavy loads, tougher stains, malodor control, and brightness boost of vibrant clothes.

Each disc delivers 2 times the cleaning power of regular detergent and enables efficient laundry care with fewer discs. In the first step, the personal giant discs were introduced in selected markets in Europe, including countries such as our home market in Germany, Belgium. More countries will follow in the coming months.

Beyond value adding innovations, Persil also stands out for its pioneering brand communication. Just recently, we launched our first generative AI powered TV commercial in Germany, reimagining Persil's iconic 'Lady in White' for a new era. This makes us a front runner and underlines our leading position in the laundry market. So let's take a look at the spot.

(video playing)

In Fabric Care, Perwoll is our number one brand and a great example for successful brand development, delivering double-digit growth in Q3, with balanced price and volume development. This performance is an excellent example of how we drive brand equity based on tech-driven innovations.

We have constantly expanded our formulation portfolio with several different formulations, serving specific customer needs. And just recently, we launched the first Fabric Care product for all light colors, including white clothes, based on our innovative triple renewed technology.

This innovation has further strengthened Perwoll's market leading position with a presence now in over 40 countries. A key growth driver is our strategic focus on addressing geographical white spots and further expanding our global footprint, including recent country rollouts in Egypt, the UK, and South Korea. These initiatives have delivered strong benefits, including market share gains of 190 basis points year-to-date in Fabric Care.

And with this, turning now to our top 10 brands, we continue to see strong growth momentum. In the third quarter, our top 10 brands delivered strong top-line growth with both positive price and volume development.

Our top 10 brands have been outperforming the total business unit's organic sales growth year-to-date by around 300 basis points, driving a continuous increase in their sales share, which now accounts for around 60%.

We will continue to invest in innovations and in brand equity. And in this context, tech-driven innovations are key in order to enhance the valorization of our portfolio in Consumer Brands and drive further top-line growth, and we are keeping up with the appropriate investment levels behind our brands in order to fuel further growth.

And now turning to our full year outlook. The guidance ranges remain unchanged. We continue to expect that both the adjusted EBIT margin, as well as the adjusted EPS growth at constant currency will be well within our current outlook ranges.

However, in case there is no noticeable improvement of the economic environment until year end, organic sales growth for the Group is expected to come in at the lower end of our current guidance range. This would, by the way, already broadly correlate with current consensus expectations.

And with this, a good moment now to hand over to Marco, who will lead you through the key financials in more detail. Marco?

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

Yeah. Thanks, Carsten, and good morning to everyone in the call also from my side. Bidding on what Carsten already shared, let me provide some more color on the drivers of the Group's sales performance in the third quarter of fiscal 2025.

We achieved organic sales growth of 1.4%, which was driven by positive volume development while pricing was stable. And more on the business unit related specifics certainly in a minute. Acquisitions and divestments reduced sales by 2.9%, reflecting the recent divestment of our Retailer Brands business in North America.

FX was a headwind of minus 4.8% in the third quarter, reflecting in particular the weakened dollar and the related currencies. In nominal terms, sales amounted to EUR5.1 billion, thus 6.3% below the prior year.

Now to the drivers in the respective regions. Starting with Asia Pacific, where we achieved very strong organic sales growth of 4.9%. The Adhesive Technologies business delivered a very strong increase, which was particularly driven by the continued growth dynamics of our Electronics business in China. The Consumer Brands business recorded positive growth, which was fueled by very strong growth in Hair.

India- Middle East-Africa showed double-digit growth of 10%, and that was supported by both of our business units. In Latin America, sales were below prior year due to weaker performance in Adhesive Technologies. In contrast, Consumer Brands reported positive growth driven by a very strong increase in Hair.

In Europe, sales came in at minus 2%. Adhesive Technologies was slightly below the prior year. And while Craftsmen, Construction & Professional achieved positive growth, Mobility & Electronics, as well as Packaging & Consumer Goods were down year-on-year.

Consumer Brands recorded a negative development, reflecting the continued challenging market environment, particularly in the Laundry & Home Care, while Hair showed good growth.

Moving on to North America, where we achieved good growth of 2.3%, a clear sequential improvement versus Q2. This was supported by both of our business units. The good development in Adhesive Technologies was driven by Mobility & Electronics as well as Craftsmen, Construction & Professional.

The Consumer Brands business also reached good growth, which was fueled by a very strong increase in Hair, while Laundry & Home Care came in flat. The Professional business also grew very strongly, reflecting a clear improvement in the region.

Turning now to Adhesive Technologies in more detail. We reached sales of EUR2.7 billion in the third quarter of fiscal 2025. Organic sales growth was 2.5%, with positive pricing and good volume growth, which was supported by a partial reversal of the negative working day impact which we had faced in the first half of the year.

As expected, Adhesive Technologies showed a sequential improvement, with good organic sales growth in Q3 in a still demanding environment. Pricing remained in positive territory, which again reflects the strength of our market positions globally, and the broad portfolio serving a broad variety of different industries.

We saw the highest volume growth in Q3 when comparing this year's quarters within a still demanding market environment, albeit being supported by a partial reversal of the negative working day impact which had impacted volumes in the first half. Regarding the remainder of the year, we expect volumes to remain in positive territory while pricing is expected to remain robust.

Let me now turn to the performance in the individual business areas, where we saw different dynamics. Mobility & Electronics was again the main growth driver, with a very strong increase of 5.9%. This increase was mainly driven by continued double-digit growth in Electronics and very strong growth in Industrials.

This could more than offset the still muted performance in Automotive where we continue to see the challenging market environment. Packaging & Consumer Goods came in slightly below prior year, and while Consumer Goods showed positive growth, Packaging was negative due to overall lower demand.

Craftsmen, Construction & Professionals delivered organic sales growth of 2.2%, and that was fueled by strong growth of Manufacturing & Maintenance, good growth in Construction, and positive development in Consumers & Craftsmen.

Now moving to Consumer Brands. The business generated sales of EUR2.4 billion. Organic sales growth came in at 0.4%, driven by positive volume development, while the overall pricing effect was negative. In Q3, volume development returned to positive territory, marking a strong sequential improvement and driving positive organic sales growth.

Pricing was slightly negative, particularly due to Laundry & Home Care, which also reflects the currently challenging environment with regards to consumer sentiment, while pricing in Hair was in positive territory.

Encouraging to see was a sequential acceleration of organic sales growth in North America, which was also mainly driven by Hair. Last but not least, we will continue with our strong investments behind our brands to fuel growth.

Now turning to the performance by business area. Laundry & Home Care reported organic sales growth of minus 1.5%, reflecting a challenging market environment. Home Care posted an overall stable development, with still very strong growth in the dishwashing category. Laundry care was negative due to fabric cleaning, while Fabric Care delivered double-digit growth supported by top brands such as Perwoll.

What clearly stood out within Consumer Brands was the very strong growth in Hair, which was driven by both the Consumer and the Professional business. The very strong growth of the Consumer business was driven by coloration and styling.

Our Professional business also grew very strongly, supported by clear improvement in the North America region. Organic sales growth in Other Consumer Businesses remained below the prior year due to Body Care in North America and Europe.

As Carsten already mentioned earlier, the ranges of our sales and earnings guidance for 2025 remain unchanged. We continue to expect that both the adjusted EBIT margin for both the Group, as well as the two business units, as well as these adjusted EPS growth at constant currencies, will be well within our current outlook ranges.

However, in case, there is no noticeable improvement of the economic environment until the end, organic sales growth for the Group, as well as for both business units, is expected to come in at the lower end of our current guidance ranges. This would, by the way, already broadly correlate with current consensus expectations.

Our expectations regarding foreign exchange, acquisitions and divestments impact, direct material prices, restructuring expenses, and CapEx for fiscal 2025 remain unchanged. With that, back to you, Carsten.

Carsten Knobel - *Henkel AG & Co KGaA - Chief Executive Officer*

Marco, thank you so much. I would like to conclude today's presentation by summarizing the key highlights of the quarter. First, we saw a clear acceleration in our top-line development, with both business units recording positive organic sales growth in the quarter.

Adhesive Technologies continues its trajectory of consistent, robust growth despite the challenging environment we are navigating. Consumer Brands reached positive volume development in Q3 and positive organic sales growth. The merger is in its final stages, and we will successfully conclude it by the end of the year.

And with that, clearly ahead of plan compared to what we had originally expected when we started this journey. And from a regional perspective, North America stood out with good organic sales growth supported by both business units.

Second, also encouraging to see is the continued strong gross margin and bottom line development. Third, in regards to our share buyback, we are well on track, having executed around EUR700 million at the end of October. And finally, when it comes to our full year guidance, the ranges remain unchanged.

And with that, back to the moderator for the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Guillaume Delmas, UBS.

Guillaume Delmas - *UBS - Analyst*

Good morning Carsten, Marco, and Leslie. I've got a couple of questions both on Consumer Brands. The first one is on pricing development in the quarter because it turned suddenly negative. So maybe to start with, is it something you had been planning for some time, or was it more in reaction to a more challenging consumer, maybe competition environment?

And from a category and region point of view, was this negative pricing quite broad-based or just mostly down to a few specific country/category combinations? And lastly on this, what would be the outlook? So as in, negative pricing to stay in the coming quarters, or was this just a one-off?

And then my second question, it's on your 2025 guidance, specifically for Consumer Brands' organic sales growth. So you flagged the low end of the organic sales growth range likely, but even the low end of the range would imply a mid-single-digit performance in Q4.

That would be a very significant sequential acceleration. So just wondering what the drivers should be for this marked Q4 step up. And if what you achieved in October supports this mid-single-digit organic sales growth ambition? Thank you very much.

Carsten Knobel - *Henkel AG & Co KGaA - Chief Executive Officer*

Good morning, Guillaume. That was more a speech than a question, but happy to take the question. So we start with your pricing topic. I will take that, and Marco will then take the question related more to the guidance also related to the top-line.

So let's get started on the first one. So first of all, Guillaume, we had really a good Q3 in HCB, with really positive volumes. You know that's the first time in this year, and we have seen really a sequential improvement.

As also projected, we started with the minus 5%, we head into the minus 1%. We are now at plus 1% and therefore, I think we can be really happy with that development first. And second, we also expect that the Q4 will be stronger than the Q3, not only related only to volume, but also especially related to the total OSG in that context.

For sure, there is a pricing which is negative in the quarter, but we should not only look at one quarter because if you look at the pricing year-to-date, we are with pricing year-to-date in positive territory, and we also expect pricing to remain in positive territory for the full year.

So we will not guide on a specific quarter between price and volume, but as I said, that is very clear. The pricing now specifically maybe to Q3. Why is the pricing lower? It is particularly more related to Laundry, so not to all categories because that was also part of your question within our portfolio.

Home, Hair, be it Consumer, be it Professional, is in the territory of neutral to positive, when it comes to pricing. So in that context, it is more Laundry related. And within Laundry, it is also more Europe related. You may have noticed that and you know that, that after I would say a little bit better consumer sentiment in Q2, the consumer sentiment especially turned down again in Q3. And that is also related to the consumer behavior.

And in Europe, you know that private labels are more outspoken. And in that context, that for sure was a little bit more there. And on top, the market overall in laundry was negative, not related to Henkel, but in the overall context.

And yes, we also took normally, which was also planned, as we said, second half will be stronger than the first half. That was not only related to top-line but also related to innovations and also customer related activities. So therefore we have also some selected promotions which are more outspoken in the second half than in the first half.

But this is because you also have the question, is it planned or reactive? That is, as I said, already planned. Because we talked already about that at the beginning of the year. And on top, as it's also very clear, there is no change in our valorization strategy. I think that is something which is part of our strategy since the beginning.

I think I have highlighted that also again today with the example of Perwoll, where we based on the valorization took quite significant price increases. And we are confident that we have a good portfolio. I alluded to our top 10 brands and the percentage around 60%, and the good growth not only in an individual quarter but also year-to-date with a good balance of price and volume.

I stop here. And in that context now, I hand over to Marco because your second question was related to the overall outlook for top-line, for the full year, respectively for quarter four. Marco, please.

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

Yeah. Guillaume, good morning also from my side again. So to the drivers of Q4, what we assumed here. So first, you need to see that we do have easier comparables in the fourth quarter when you then compare that in particular also with Q3 in the quarters before that, so coms is one topic.

And then as we highlighted earlier, we do see more of our innovations hitting the second half of the year. And we said that also before that is even more geared towards the fourth quarter. So also here assumption around our strong launch and relaunch activities is behind. So we have activities going on for Vidal.

So China for example, or even Brazil, we talked about the giant discs and also around activities of Perwoll and Gliss. And promotional activities is the next driver, of course that we start to accelerate. So should see also more traction on that in the fourth quarter.

And then also some pricing we do expect in Q4, especially in emerging markets. Of course, there's still a lot of volatility around and we talked about the consumer sentiment volatility earlier, and that's why we did also flag uncertainties around that.

Carsten Knobel - Henkel AG & Co KGaA - Chief Executive Officer

(multiple speakers) You're welcome.

Guillaume Delmas - UBS - Analyst

Very clear. Thank you both.

Operator

Patrick Folan, Barclays.

Patrick Folan - Barclays - Analyst

Hi. Yeah, good morning, Carsten, Marco, and Leslie. Thank you for taking my questions. Just going back to the question of promotional activity stepped up in the period, should we expect this to be something that comes through more in Europe in Q4 and maybe in 2026.

And I guess sticking with kind of Consumer on, we're looking at October, I'm under the impression that you had some launches that came out in the period. How have they gone, or do you have any X ray on the performance within those launches?

And just sticking within Consumer, you talk about the top 10 brands picking up to 60% of your portfolio, which you guys have been talking about throughout this year. Can you maybe share some color on how you plan to improve the remaining 40%? What are the drivers there to get that improving to drive the overall portfolio forward? Thank you.

Carsten Knobel - Henkel AG & Co KGaA - Chief Executive Officer

Good morning, Patrick. So for the first one, as I mentioned before, we had already planned, as I said, that the second half should be more outspoken in terms of top-line than the first, which was mainly related to our activities which we had planned, and where we clearly stated these are more back end loaded means more pronounced in Q3 and Q4, and that's also happening.

That's also the point that we have seen also a better volume development in Q3. And again, I said it's selective promotions. There is no strategy change. And for sure, this is related to the innovations we are taking in Q3 and Q4. And in order to support that, we have done that.

For 2026 because that was also your question, please understand that I'm not talking today about that. For sure, we have clear ideas and plans how to do that. But I would like to state a little bit on that when we are at the beginning of the year in terms of announcing also the guidance for the year in that part.

The second part of your question was related to the top 10 brands. First of all, yes, we are investing quite significantly behind the top 10 brands, means investments in R&D, means investments in marketing. Consequence is for sure focused on innovations related to the top brands.

They also continued in Q3 to deliver above average growth. And as you mentioned rightly, the sales share has significantly increased over the last years, and we will work continuously to increasing that top 10 brand share also in the future.

When it is related to the other 40%, I think part of that is also related to our portfolio strategy, and I said that we have certain categories which is mainly related to our body care part in the besides the top 10 brands which is you know Core, but it's not the investment case.

It is in a clear portfolio, more a cash cow, and in that context, it delivers quite significant support when it comes to gross margins –absolute gross margins – in order to invest in our focus areas. And therefore, that part will always remain.

And for the other part it is like we have done that now over the last couple of years. We look at our portfolio constantly. And if there is no change in performance, we will take respective measures as we have taken it, I would say, very clear and straightforward in the last couple of years.

And on top, that the Laundry segment is currently facing a more pronounced competitive environment. Also related to the point I made before, that the market overall is negative in the context of the consumer sentiment which is impacting consumer behavior, which is also a more trend in the direction to private label oriented brands.

But from my point of view, as I always pointed out, that's a temporary development. If sentiment comes back, I would significantly see then also a shift again towards the branded labeled businesses. Hope that helps, Patrick.

Patrick Folan - Barclays - Analyst

Just following up on that, just on private label, can you maybe share where you're seeing the pressure in private label? Is it mainly Europe, or any countries specifically you want to call out?

Carsten Knobel - Henkel AG & Co KGaA - Chief Executive Officer

No, as indicated before, it is predominantly in Europe. The private label share in Europe is around 20%, and that's something which you don't see in any other region in the past when it comes to Laundry. That is pure Laundry.

Patrick Folan - Barclays - Analyst

Okay, thank you.

Operator

David Hayes, Jefferies.

David Hayes - Jefferies LLC - Analyst

Hey, thank you. Good morning. So my question is on the margin but short term and long term. So just on the short term, you look at the consumer challenges that you talked about. And so the beginning of the year, you were thinking Consumer could do up to 3% organic.

Now you're targeting 0.5%, but you're still well within, as you said in the release, well within the ranges on margins and earnings. So just trying to understand what is offsetting that challenge, particularly on pricing, how is the margin still well within the ranges that you started with at the beginning of the year?

And then I guess, secondly, on the longer-term margin, are you still confident with these pricing pressures that the trajectory hasn't changed to get to 16% plus as you've talked about previously? Or these challenges continue, is that something that you'd have to kind of capitulate on and take longer to get there? Thank you.

Carsten Knobel - Henkel AG & Co KGaA - Chief Executive Officer

Yeah, good morning, David. So related to the short term, I think what we clearly said today is that we are confident in both businesses for the margin situation that we will be well within the ranges we have been setting up.

And the main reasons behind that is predominantly in the Consumer space, it is the net savings we are taking out of the merger situation where I clearly pointed out, we will at least reach the EUR525 million until the end of the year – a year earlier than expected. That does not mean that in '26 there will be nothing more coming. I'm only saying, we know we reached it significantly earlier.

We have efficiency gains in both divisions when it comes to the production set up, the supply chain set up, which we are predominantly driving, again, also in the second phase of the merger, but also relevant for our Adhesives business.

And the valorization part is also very clear. I mentioned it before, valorization brings a significantly higher gross margin. But the good thing behind is that we can invest significantly be more behind our brands. And by that, also looking now to your long-term question, bringing our long-term, I would say, investment in terms of brands into the right direction. And last but not least, it's the mix effect, which is also again valid for both businesses.

In the context of Consumer, it's more related to the really fantastic development in Hair, in Consumer and in Professional. And in Adhesives, for sure, I was relating to the Electronics part not only for today, but also the prospects into the direction of 2030.

So all of that is not only related to short term, but also to long term or better to say midterm, that we will reach the margin of around 16%, which we, I would say, which we concluded in 2024 that we will reach that to a midterm means two to four years, average is three years.

So we are on the right track. And if you look over the last couple of years of our margin development is continuously improving that. Hope that helps, David.

David Hayes - Jefferies LLC - Analyst

That's great. Thank you, Carsten.

Carsten Knobel - Henkel AG & Co KGaA - Chief Executive Officer

You're welcome.

Operator

Christian Faitz, Kepler Cheuvreux.

Christian Faitz - *Kepler Cheuvreux SA - Analyst*

Yes, thanks. Good morning, Carsten, Marco and Leslie and team. A couple of questions, please, from my side. In Adhesives, would you see any remarkable sales or order trends at this point in time in Q4 that your salespeople are suggesting that are different from Q3, i.e., pickup in automotive demand or something like that?

And then on the Consumer side, I mean, I understand the negative trend Laundry, consumers trading down to private labels, particularly in Europe, but certainly concrete on the strong results in Hair within Consumer. But why are Consumers not trading down also on Hair? Or is that really your innovative portfolio versus a lower base that's driving that?

Carsten Knobel - *Henkel AG & Co KGaA - Chief Executive Officer*

Christian, thank you. First of all, good morning, and thank you for these two questions. I take the second one, which is related to your Consumer part. And I'll let Marco talk about the Adhesives part in terms of when you said the sales and the order trends in Q4 if they are different to Q3.

So when it comes to Consumer, sometimes it's difficult to talk about history. But the Laundry segment, at least since I'm in business, and that's now since 30 years, that was always the situation that in that context, private label was, yeah, especially in difficult times, quite strong or existing.

Why is it not in Hair? Difficult to predict the main reason, I would say, is for sure, the situation that, especially if you think about color, coloring your hair and also styling your hair, you are visible outside or from the outside.

And I think that's something where people have a lot of loyalty and also want to have a lot of security and certainty that what you would like to see yourself on your body is or in that context on your head on your hair is something where you have security that you get the results you want.

And on top, coloration is not an easy thing from a technology perspective and therefore, also quite high entry barriers to get into that business. That has also been the case that you don't see private label even not being able to get into that technique or technology. This is for me, the major reason why you don't see that in these categories.

And therefore, we are more than happy and also lucky that we are in the Hair business that we're one of the, I would say, most outspoken worldwide players in that context being the clear now in the meantime, number three and number two in the Professional business of Hair after a company which is located in Paris or in France.

And I think we will continue to drive that trend and also very happy with the current results with over proportional growth. I would say I stop here and hand over to Marco for the Adhesives question. Marco?

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

Yeah, Christian, to your first question on Adhesives and sales trend. I mean, it's clear we said it's a very volatile environment. So that's why sometimes we say what is the trend is not easy to say. But when you look at the Group, what has remained very strong over the whole year, that is, of course, the Electronics part, and that has developed very nicely and the more difficult environment, for sure, we face in the Automotive sector.

And from that perspective, the trend is not what we see very much different beginning of the Q3, but also we just are in the beginning of the [Q4] (corrected by company after the call), quite obviously. And when you look at those trends, also now looking more than, of course, longer into the future, you see also that general trend hasn't much change yet. So still no volatility and uncertainty seen also in the industrial markets.

When you look also at the IPX forecast for 2026, for example, at the moment, IPX is expected to come in at around 1.7%. And if that is so, that would be even below the level of 2025. But we also know that the IPX also is very volatile in the expectation, but that shows also at the moment, it's very difficult to identify a clear trend. And even for 2026, it's supposed to be a muted industrial environment for the time being. And the same is in particular true for the sub index of the light vehicle production index for 2026.

On the other hand, I see no indication that Electronics and also our Industrial business environment shouldn't continue to grow. So these trends seem to persist into 2026. We are in overall, of course, confident on our performance of the teams and see also the resilience of our businesses.

And so far, of course, we're going to make up our mind beginning of next year. How that will evolve together with also the latest news on consumer sentiment that, of course, we will then look at and come out like always with the guidance for next year in March.

Christian Faitz - *Kepler Cheuvreux SA - Analyst*

Thanks very much, both Marco and Carsten.

Carsten Knobel - *Henkel AG & Co KGaA - Chief Executive Officer*

You're welcome, Christian.

Operator

Tom Sykes, Deutsche Bank.

Tom Sykes - *Deutsche Bank - Analyst*

Yeah, morning everybody, thank you. Just two quick ones. One on the Adhesives business. How big now is the services side of the business? Or if you like, the total that's kind of non-strictly volume related and what's the growth of that being pleased?

And then just is it possible to expand a little on your productivity comments in Consumer because obviously, you have had this outsized productivity gain. Do you think the setup now is something which you can produce year in, year out, slightly higher productivity than you did do prior to the merger?

Or is it a period where you do get some productivity gains, but they may be a little lower because you brought some of those forward, please?

Carsten Knobel - *Henkel AG & Co KGaA - Chief Executive Officer*

Good morning, Tom. So to your first question, Adhesives, I assume when you talk about services, you relate that to the point where we have now significantly invested in the last 1.5 years in the so-called MRO business, maintenance, repair, overall business.

If you look at that, it's around 20% of the [Craftsmen, Construction & Professional] (added by company after the call) business overall. And what is for me very promising, we bought these two companies, Critica Infrastructure and Seal for Life, I think on two reasons. First of all, to create a new category for us. We had a certain business on that, but we wanted to make it significantly bigger. This we reached with that. That's one.

But the even more important question is we are here for our purposeful growth agenda, means we want to over proportionately grow. And I think that is happening. Both acquisitions, if we take them together, year-to-date are growing double-digit.

And I think that is in the context of where we are in. You just heard Marco describing the industry sentiment with an IPX of around 2% in this year, and also not a significantly different situation of next year with currently a forecast of 1.7%. I think it's very good to have these outstanding categories like MRO, but also like Electronics in that context. So that's for your first question.

The second one was related to productivity gains, especially in the Consumer business. Here the point is that we did quite a lot in the last couple of years. You know that we split our EUR525 million in two phases, EUR275 million related to phase 1 and around EUR250 million in phase 2. And I mentioned it before, we are not only well underway. We're really, really over-delivering on that.

And we expect, for sure, also further gains. But of course, for sure, in a lower dimension as in the last couple of years. And I mentioned before, even for 2026, we will significantly be higher than the EUR525 million what I mentioned before.

And therefore, we are really on a good track record when it comes to creating additional savings on that, we have around 40% SKU reduction. We have more than 20% of complexity reduction, taking SKUs out, streamlining the processes. And we will also, in the next couple of years, benefit from that part. As I mentioned before, you cannot expect the same pace in the context of what we did since 2023. I hope that helps.

Tom Sykes - *Deutsche Bank - Analyst*

Yeah, no, that's very helpful. Thanks, Carsten.

Carsten Knobel - *Henkel AG & Co KGaA - Chief Executive Officer*

Thank you, Tom.

Operator

Mikheil Omanadze, BNP Paribas.

Mikheil Omanadze - *BNP Paribas - Analyst*

Morning. Thanks for taking my questions. I have two, please. First, could you please maybe provide some color on the strong Hair delivery and quantify retail and salon growth. Was there anything of one-off nature helping you during the quarter? Was there may be some moves of inventories at retailers or distributors which helped that strong number?

And the second question would be on raw materials. As we look into 2026, are there any noteworthy moves on your key inputs that we need to be aware of? Thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chief Executive Officer*

Yes, good morning, Mikheil. So I take the first question related to Hair, and Marco takes the second on the raw materials. So I mentioned it before when I talked in the context of Tom's question. So the Hair business is really a fantastic business we have at hand.

For sure, we don't know that only since today, but really that was also in our portfolio discussions, one of our key focus areas and by that, trying to get our global category lead in Hair further improved. So you're specifically asking for the current performance. So the Hair business showed a significant sequential acceleration versus Q2, reaching a very strong growth in the quarter, above 4%.

The Consumer business posted a very strong growth in Q3, with the strongest contribution from color and styling as the two categories. Styling was very strong in Q3, especially driven by Europe and a double-digit growth in North America.

And hair colorants same with significant growth in Europe and double-digit growth in IMEA. So that is the one. The Professional business, also a very strong quarter in Q3 where almost all regions were contributing positively. And we saw a very strong growth in North America and double-digit in Latam.

And I have to tell you out of my personal travels, I recently visited our US Professional business in Los Angeles, where the headquarter is and which stands for a significant part of our Professional business worldwide.

And I can only tell you, we're working here with a couple of brands, but it's really a great brand set up, a great setup overall. And I'm really very confident that's also what I would like to get across that this business is not only good today, but there's also a very bright future going forward.

And as you know, we have over proportionately gross margins on that business, which is also very helpful in our portfolio transformation or in our valorization strategy. So I'm very positive about that with a very strong performance also today or year-to-date. Hope that helps, Mikheil, and now hand over for your second question when it comes to raw materials.

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

Yeah, to raw materials, is sure the volatility in the market is strong. So some caveat to, of course, what we do see for next year. But broadly, what trends we see is for 2026 somewhat similar to this year. We see on the petrochemical feedstock side, that shall remain rather flat. So no significant increase, no significant decrease.

While on the other hand, actual feedstocks for example, palm kernel oil, we expect a rather upward trend also to continue into 2026. And then on the precious metal side where we have seen quite some upward trends and that may continue that was suggested by the expert opinions for the time being. But I also need to point out that on the precious metal side, that is rather a pass-through on our end, so will not impact really our margin. So that's what we currently see for the market.

Mikheil Omanadze - *BNP Paribas - Analyst*

Very clear. Thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chief Executive Officer*

Mikheil, thank you for your questions. And with that, let me thank you for your questions. And let me also close today's call with reminding you of the upcoming financial reporting dates. We are looking forward to connecting with you again in March, to be precise, March 11, when we will publish our annual report.

And with this, we would like to thank you, in the name of Leslie and also Marco, to thank you for joining our call today. Have a good day. Take care, and goodbye.

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