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HNKG_p.DE - Q2 2026 Henkel AG & Co KGaA Earnings Call

EVENT DATE/TIME: AUGUST 06, 2026 / 7:00AM GMT

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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 half year 2026 results conference call today. I'm Leslie Iltgen, Head of Investor Relations at Henkel. Today, I'm joined by our CEO, Carsten Knobel, and our CFO, Marco Swoboda. Carsten will begin with an overview of the key developments in the first half. 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 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. And 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 detail. So let me move now straight to the highlights of the first half 2026. In the first half, we delivered a very strong performance on both the top- and the bottom-line. Organic sales growth showed a clear sequential acceleration in Q2 and came in at above 3% for the first half on Group level, backed by both business units – with Adhesive Technologies clearly standing out. We saw both positive price and volume dynamics in our two business units. In Adhesive Technologies, the team was able to swiftly execute pricing initiatives to offset the significant raw material price increases.

We also delivered a strong EBIT margin – both on Group level and in the business units – despite an overall highly challenging macroeconomic and geopolitical environment in which we are currently operating. This demonstrates the strength and the high quality of our businesses. In addition, EPS at constant currencies grew strongly by 7% versus the prior year. Furthermore, we accelerated the execution of our M&A growth strategy in both business units. Most recently, we have closed the acquisition of OLAPLEX. Overall, we expect first positive contributions from the acquisitions on both top- and bottom-line in fiscal 2026.

And finally, turning to our updated full-year 2026 guidance. We upgraded our top line expectations for the Group and Adhesive Technologies on the back of the strong H1 performance, while our expectations for both the adjusted EBIT margin and the adjusted EPS growth at constant currencies remain unchanged.

Overall, our strong business performance demonstrates that we have a clear strategy with our purposeful growth agenda, that we have the right priorities, and that we were able to accelerate the execution of our M&A growth strategy – thereby clearly strengthening our long-term competitiveness and position for future success.

As you are all aware, we continue to successfully deliver on our M&A growth strategy – which is an integral part of our overall growth strategy – in both business units. With the recently announced acquisitions, we are investing a total of roughly EUR5 billion, supported by future mid- to high single-digit organic sales growth – which is clearly above average – the combined sales of the five acquisitions are expected to increase to EUR2 billion by 2030.

To date, we have already successfully closed four out of the five transactions: Wetherby Laroc and ATP Adhesive Systems in Adhesive Technologies; Not Your Mother's and – most recently, as mentioned before – OLAPLEX in Consumer Brands. We expect the Stahl acquisition to be closed in the course of the second half of fiscal 2026. And for sure, Marco will later provide you with more details on the expected M&A contribution for 2026 and beyond.

Let me highlight our most recently closed acquisitions in Consumer Brands and Adhesive Technologies with the acquisition of the premium hair care brand OLAPLEX, adding around EUR370 million in sales, we expand our global presence in the premium hair segment and are now ranked the global number 2 in Hair Professional. The premium hair care market is a highly attractive market and is expected to continue its strong growth trajectory reflected in a CAGR of around 5% for the coming years. OLAPLEX is a well-established, globally active premium channel hair care brand, offering a portfolio of science-led, high-performance products. We are highly confident that we can significantly grow this business by making use of cross-selling opportunities and leveraging on both specialty retail and salons as distribution channels. In addition, OLAPLEX's proprietary technologies offer attractive innovation opportunities, unlocking new growth potential through enhanced capabilities and accelerating product development across the portfolio.

Furthermore, OLAPLEX benefits from a global footprint, anchored by broad distribution in North America and supported by meaningful international reach. Overall, a promising and highly attractive asset that is now part of Henkel's Consumer Brands portfolio.

In Adhesive Technologies, we closed the acquisition of ATP Adhesive Systems effective April 1. The acquisition expands our portfolio into high-performance water-based specialty tapes, a highly attractive market growing at around 7% annually. With this acquisition, we add tapes to our technology platforms, thus expanding beyond liquids. ATP strengthens our innovation capabilities, creates attractive cross-selling opportunities and enhances our position as a new growth platform for sustainable bonding solutions.

Water-based specialty tapes are gaining market share globally as a more sustainable alternative to solvent-based solutions. They deliver up to 90% lower volatile organic compound emissions and an up to 60% lower carbon footprint versus solvent-based solutions. A good example are zero-emission flooring tapes. They combine high performance with regulatory compliance and sustainability benefits.These solutions recorded an impressive growth of above 20% in the US in the first half of 2026. Another example from the automotive industry are customized tape solutions for advanced driver assistance systems, including steering wheels with hands-off detection capabilities. This part of the business recorded growth of more than 10% globally.

Also here, overall, with the acquisition of ATP, we not only drive further profitable growth, but also create additional value for our customers. Besides M&A, innovations and investments in high-growth markets serve as catalysts for organic growth. Innovations drive an increase in the number of Henkel solutions per application, for example, in consumer devices as shown here on that slide.

In consumer electronics, innovation trends such as miniaturization, water resistance and thermal management are driving demand for adhesives. As a result, the average number of Henkel solutions in a smartphone is expected to increase by 50% to more than 80 per device within 10 years until 2030.

At the same time, we continue to invest in attractive high-growth markets, such as aerospace, data centers and protection and repair in infrastructure to further strengthen our platform for sustainable and profitable growth. To support growth in these attractive end markets, we also continue to invest in our manufacturing network, thus further strengthening innovation capabilities and customer proximity in key growth regions. A good example is our new smart factory in Yantai, China. With an investment of around EUR120 million, the site provides a strong backbone for future growth in the region and supports high-growth industries such as electronics, automotive, medical and aerospace.

And at the same time, the facility sets new benchmarks in sustainability, operating with net-zero emissions from day one. The smart factory leverages state-of-the-art automation, digitalized process control and intelligent warehousing to enhance productivity, inventory management and order fulfillment speed. Complementing this investment, we have further expanded our customer and innovation capabilities with new application centers in Asia. Most recently, we opened our new electronics co-innovation and application center in India, further strengthening our ability to support customers in one of the world's fastest-growing electronics markets. Together, these investments enhance our innovation capabilities, shorten innovation cycles and position us well to benefit from long-term growth trends in key end markets.

Moving to specific innovation examples in construction, where our technologies help customers address highly demanding technical and sustainability requirements. For one of the world's most iconic and technically demanding construction projects, the Sagrada Familia in Barcelona, we customized LOCTITE bonding solutions for the installation of large stone panels on the Basilica’s central towers. Our solution enables the reliable bonding of stone and steel components under highly demanding conditions. Compared with traditional methods, our solution enabled the accelerated installation by a factor of 10 while providing exceptional strength. The project highlights our ability to combine deep engineering expertise with close customer collaboration to customize solutions for highly specialized applications.

Another example is our Cool Roof technology. The waterproofing and coating solution helps reduce rooftop temperatures, improving energy efficiency. By lowering cooling requirements and supporting lower carbon emissions, this solution contributes to more sustainable buildings.

Turning now to Consumer Brands, where we see continued strong growth dynamics of our top 10 brands with above average growth of more than 4%, driven by a balanced contribution from both price and volume. They account for around 60% of the business unit’s sales and provide a good representation of our portfolio with leading positions in both Laundry & Home Care and Hair. Hair overall continues to be a highly attractive category driven by trends such as the skinification of hair, hair protection and hair repair. With tech-driven innovations we develop at Henkel, we can successfully address and shape these trends.

A good example is the launch of our premium scalp care line under the Gliss brand, addressing the growing skinification of hair trend. This trend applies skincare ingredients, routines and principles to hair and scalp care, reflecting the belief that healthy hair starts with a healthy scalp. And as a result, while the hair market has been growing at a fast pace of around 4.5% over the past years, we have been able to outperform the market, delivering organic sales growth above 6%.

Turning to Laundry Care, where we continue to actively shape our portfolio with an increased focus on the premium segment. As highlighted during our Q1 call, we see attractive growth and value creation opportunities in the premium Laundry Care market. This strategic focus is also reflected in our portfolio mix: the share of premium products has increased from around 45% before the Consumer Brands merger to around 55% today. With that, bringing it well above the market average. Looking ahead, we do also see further opportunities to expand our premium share in Laundry Care – supported by technology-driven innovations among our top brands, delivering with that superior consumer benefits.

A good example here is Persil – our long-established premium brand. Here, we continue to strengthen our offering through superior performance propositions and premium formats such as caps – addressing consumers' increasing demand for superior cleaning results.

And turning to Perwoll, where we are enhancing our premium positioning by focusing on specialized textiles and garment care solutions, fabric longevity and care benefits. Here, our product innovations support consumers' growing interest in preserving and extending the life of their clothes. Most recently, we launched a new Perwoll version specifically designed for light-colored garments – thereby further broadening the brand's formulation portfolio. The success of our strategy is also reflected in the numbers: our top brands Persil and Perwoll recorded a strong performance and together delivered around 5% organic sales growth in the first half.

Taking a closer look at the attractive Fabric Care category, which continues to stand out: here, we gained another 50 basis points market share in the first half of 2026 – a very strong development. And overall, we are confident that our focus on premium Laundry Care is translating into strong brand performance, market share gains and further profitable growth.

And now turning to our full-year outlook. We upgraded our top line expectations for the Group and Adhesive Technologies on the back of the strong H1 performance. For the Group, we now expect organic sales growth of 1.5% to 3.5%. And for Adhesive Technologies we are now looking for 2% to 4%.

The outlook for the adjusted EBIT margin remains unchanged and is expected to come in between 14.5% and 16%. The same holds true for the adjusted EPS growth at constant currencies, where we continue to expect an increase in the low to high single-digit percentage range. And Marco will elaborate now in more detail on our updated outlook in his part of the presentation.

And with this, let me hand over to Marco, who will lead you now through the key financials of the half year one. Marco, please?

Marco Swoboda - *Henkel AG & Co. KGaA - Executive Vice President Finance, Purchasing, Global Business Solutions and Digital/IT*

Yeah, Thanks, Carsten, and good morning to everyone on the call also from my side. And building on what Carsten already shared, let me provide some more color on the Group sales performance in the first six months of 2026. We delivered strong organic sales growth of 3.2%. Pricing contributed with 1.1%, while volume showed a positive development of 2.1%.

Overall, acquisitions and divestments had a slightly positive effect of 0.2%. While the divestment of our retailer brands business in North America in April last year had a negative impact, the acquisitions closed in the first half of 2026 in both business units – most notably ATP Adhesive Systems and Not Your Mother's in our consumer business – had a positive impact on sales. The foreign exchange impact was almost minus 4%, but moderated sequentially in Q2 versus Q1. The development reflects in particular the weakened US dollar and related currencies. In nominal terms, sales amounted to EUR10.3 billion, hence 0.5% below prior year.

Now turning to the drivers in the respective regions in more detail. Starting with Europe, sales were below the prior year level, but showed a clear acceleration in the second quarter, returning to positive growth. In Adhesive Technologies, the very strong growth in Industrials was more than offset by adverse developments in Automotive, Packaging & Consumer Goods and Craftsmen, Construction and Professional. In Consumer Brands, particularly Laundry & Home Care continued to face a challenging environment, while Hair remained stable. North America recorded good organic sales growth of 2.4%. This was driven by strong organic sales growth in Adhesive Technologies supported by all business areas, with growth in Industrials standing out. Consumer Brands achieved positive organic sales growth, driven by strong growth in Hair, while Laundry & Home Care was slightly negative. Going forward, the recent acquisitions will further strengthen our footprint and enhance scale in this important market.

Moving on to Asia Pacific, organic sales growth came in at 10.3%, supported by both business units. Double-digit growth in Adhesive Technologies was again driven first and foremost by Electronics and Industrials. Packaging & Consumer Goods also contributed significantly. Consumer Brands achieved very strong growth led by significant growth in Hair, while Laundry & Home Care was slightly negative. IMEA also showed double-digit growth of 14.9%, which was supported by both business units, despite continued geopolitical volatility.

Finally, sales in Latin America were below the prior year level. Similar to Europe, growth accelerated in the second quarter and returned to positive territory in both business units. While the development in Adhesive Technologies was impacted by negative effects from tariffs on value chains and demand, Consumer Brands showed positive growth in the first half of the year.

Now back to the global level and turning to Adhesive Technologies. In the first half, we achieved sales of EUR5.5 billion with organic sales growth of 4.5%. The adjusted EBIT margin increased to a level of 17.7% in the first half of 2026. Overall, Adhesive Technologies delivered a very strong top line development in the first half, driven by sequential acceleration of both price and volume. Pricing was positive with 1.8%, also reflecting the swift execution of pricing initiatives as a reaction to the significant raw material price headwinds. This was possible due to the strength of our market position and portfolio. The strong volume development of 2.8% in H1 was particularly driven by a clear volume expansion in our Electronics and Industrials businesses. Furthermore, the development was also supported by a positive working day impact, which accounted for around 150 basis points in Q2 and forward buying mainly in Packaging & Consumer goods. The adjusted EBIT margin continued to be strong year-over-year, driven by operating leverage and a positive mix.

Mobility & Electronics achieved 7.8% organic sales growth in the first half, despite already high comparables. The strong increase was driven by double-digit growth in Electronics and significant growth in Industrials. In H1, Automotive came in below prior year but showed a clear sequential improvement and even returned to positive territory in Q2. This is also reflected in the most recent LVP development.

Packaging & Consumer Goods recorded very strong growth of 4.7% in the first half. Consumer Goods achieved very strong growth and Packaging showed strong growth, particularly driven by a sequential acceleration in the second quarter, also supported by resilient demand across key end markets and continued forward buying.

Finally, Craftsmen, Construction and Professional delivered positive organic sales growth of 1%. While Manufacturing & Maintenance showed strong growth, Consumer & Construction was slightly below prior year, also impacted by seasonal weather effects, which weighed on construction activity in Eastern Europe in the first quarter.

Turning to Consumer Brands. The business generated sales of EUR4.7 billion in the first half with good organic sales growth of 1.7%. The adjusted EBIT margin came in at 15.3% and thus was on prior year level. In the first half, Consumer Brands delivered good organic sales growth with both a positive price and volume development of 0.3% and 1.4%, respectively. With this, we achieved positive volumes for four consecutive quarters. Hair continued a very strong growth trajectory with organic sales growth of more than 4%. Laundry Care is back to positive growth with a clear acceleration in the second quarter. The adjusted EBIT margin sustained on strong previous year level despite the overall competitive environment. And of course, while keeping up with our elevated investment levels in our brands.

Now turning to the performance by business area in Consumer Brands. Laundry & Home Care recorded a positive organic sales growth of 0.7%. In Home Care, we saw good organic sales growth, which was primarily driven by double-digit growth in hand dishwashing.

Encouraging to see that Laundry Care is back to positive growth with a clear acceleration in Q2, mainly driven by high single-digit growth in Fabric Care supported by strong performance of our top brand Perwoll. Hair achieved 4.2% organic sales growth, driven by an almost balanced contribution from both the Consumer and the Professional business, with Styling being the strongest contributor.

And finally, organic sales growth in our Other Consumer Businesses was below prior year, mainly due to body care in Europe while North America reported good growth. Coming back to the Group level again. I would like to share some details on the adjusted income statements. We increased our adjusted gross profit by 40 basis points, now reaching 51.7%, mainly driven by an increase in Adhesive Technologies.

Marketing, selling and distribution expenses as well as R&D and admin expenses in relation to sales remained more or less on prior year levels. Other operating income and expenses had a rather neutral impact as a percentage of sales. And as a result, the adjusted EBIT margin slightly increased, reaching now 15.7%.

Moving on to the bridge from reported to adjusted EBIT. At EUR1.4 billion, reported EBIT was below the previous year level. One-time expenses of EUR68 million were mainly related to transaction costs associated with recent acquisitions.

Restructuring charges amounted to EUR128 million, with the majority related to the continuous transformation of our production and logistics footprint, as well as the go-to-market models. As a result, adjusted EBIT came in at EUR1.6 billion and was thus slightly above prior year level – despite negative FX effects.

And now taking a closer look at the bridge leading to adjusted EPS. The adjusted financial result amounted to minus EUR54 million, reflecting a higher leverage due to the recent acquisitions and the completion of our share buyback program. The adjusted tax rate stood at 25.5%, and thus in line with the prior year. Finally, adjusted net income after minorities came in at EUR1.2 billion. This translates into adjusted earnings per preferred share of EUR2.86, representing an increase at constant currencies of 7%.

On to our cash KPIs. Here, net working capital in percent of sales increased by 100 basis points to 7%, also due to the recent acquisitions across both business units. Free cash flow came in at around EUR600 million, representing an increase of around EUR130 million versus prior year, mainly driven by a higher operating cash flow.

Our net financial position came in at minus EUR1.9 billion – again, mainly reflecting cash outflows for the recently closed acquisitions as well as for our share buyback program. As Carsten already mentioned earlier, we made significant progress in executing our M&A growth strategy during the first half of 2026, which is an integral pillar of our overall growth agenda.

We expect the recently acquired businesses to make an initial positive contribution to both sales and earnings already in the current fiscal year. In 2026, the acquired companies are expected to contribute EUR700 million in sales. In total, we acquired sales of EUR1.6 billion on a pro-forma basis 2025. Supported by future mid- to high single-digit organic sales growth – which is clearly above average – the combined sales of the five acquisitions are expected to increase to EUR2 billion by 2030. From an earnings perspective, we expect the acquisitions to already contribute in 2026 by roughly 1%, already considering financing and integration costs as well as purchase price allocation effects.

Going forward, we expect a further ramp-up to at least 10% when it comes to adjusted earnings per preferred share by 2030. I would like to conclude this chapter with our updated outlook for fiscal 2026. As Carsten already pointed out, we upgraded our top-line expectations for both the Group and Adhesive Technologies on the back of the strong H1 performance.

For the Group, we now expect organic sales growth to come in between 1.5% and 3.5%. For Adhesive Technologies, we now expect a higher organic sales growth of 2% to 4%. This guidance range is also a reflection of a more normalized growth profile in the second half as well as the absence of a working-day benefit and no further significant forward buying.

Our organic sales growth expectations for Consumer Brands remain unchanged, reflecting the continued market volatility and tougher prior year comparables. Also, the full-year outlook for the adjusted EBIT margin and adjusted EPS growth at constant currencies remain unchanged. And turning to adjusted EBIT margins. In line with previous communication, we expect softer margins in the second half versus first half for the Group and both business units, particularly due to more pronounced raw material price headwinds in the second half of the year. However, this shouldn't come as a surprise and taking a look at current consensus levels, it seems analyst estimates are already reflecting this development.

And with that, back to you, Carsten.

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

Thank you, Marco. So let me wrap up today's presentation. First of all, we delivered strong organic sales growth of more than 3% on Group level, driven by both positive price and volume development – important – in both business units, with a clear sequential acceleration in Q2 versus Q1. We also delivered a strong adjusted EBIT margin development, also here supported by both business units.

Second, we are successfully delivering on our M&A growth strategy in both business units by adding highly attractive assets. Overall, we expect first positive contributions from the acquisitions on both top- and bottom-line in fiscal 2026. And finally, turning to our updated full-year guidance 2026, we upgraded our top-line expectations for the Group and Adhesive Technologies on the back of the strong H1 performance.

And overall, our strong business performance demonstrates that we have a clear strategy with our purposeful growth agenda, the right priorities and that we are able to accelerate the execution of our M&A growth strategy – thereby clearly strengthening our long-term competitiveness and the position for future success.

With that, we would like to thank you for your attention and we are now moving to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Guillaume Delmas, UBS.

Guillaume Delmas - *UBS AG - Analyst*

Thank you very much. Good morning, Carsten, Marco and Leslie. So my one question will then be on the direct materials guidance because you left it unchanged. You're still expecting high single-digit percentage increase despite the fact that oil price has come down quite significantly since you published your Q1 trading update in May.

So question is, why no change to the guidance? Could lower oil prices prompt some downward price adjustments in Adhesives, so maybe you are running back some prices in the back half? And if we were to assume that oil stays at current levels until the end of the year, I mean, would you be more likely to hit the top-end of your margin guidance? Thank you very much.

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

I think that is a question Marco will take. Marco?

Marco Swoboda - *Henkel AG & Co. KGaA - Executive Vice President Finance, Purchasing, Global Business Solutions and Digital/IT*

Yes, good morning, Guillaume, also from my side. I mean, yes, short-term oil price has come down, but before I go into further details, very clear, it's still highly volatile. When I remember when basically going middle of July into my vacation, oil price came down, just a week later the whole situation in the Middle East already escalated again, oil going up significantly. So volatility is up and that is what we have to be aware. And also, what is important, we did already assume some sort of reduction of oil prices in the second half. So we did not assume that level that we had, when we had our Q1 call, to sustain until the end of the year, so there was always backed into our guidance range. So far, we see that more confirmed but we need to see what comes. And then second also, we noted before, there is a time lag between oil prices moving and our input material costs really moving. So that has to eat through the value chain. So that will take some time, even if that oil price remains on a lower level than that really arrives at our P&L side and that's what we all backed into the guidance, and that's why we didn't see any reason why now to change it. At the moment, we see that still being valid.

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

And Guillaume, I think, not directly asked, but the end of your question was related to our margin guidance. And I think we have set out at the beginning of the year, with 14.5% to 16% quite -- yes, I would say, ambitious guidance in the context in which we are operating. And on top of the consensus, which is out already, is reflecting also all of that. And therefore, I think at this point, no need to change the guidance. I hope that helps.

Guillaume Delmas - *UBS AG - Analyst*

Very clear. Thank you.

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

You're welcome.

Operator

Olivier Nicolai, Goldman Sachs.

Jean-Olivier Nicolai - *Goldman Sachs Group Inc - Analyst*

Hi, good morning, Carsten, Marco and Leslie. First of all, you mentioned the prebuying in H1 in the presentation. I was just wondering if you could quantify the impact in Q2 and which part of adhesives benefit is the most from it?

And then, if I may, just on Laundry, it has accelerated in Q2, the sell-out data, whether it's still pointing out to share losses in the US and Europe. So what actions are you taking to improve the relative performance in these markets? And how do you see the current promotional environment? Thank you very much.

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

So to your first question, in terms of the effects, I think Marco was already pointing that out partly. And we have two effects, which we have been calling out that is one, the working-day impact, and it is also a kind of forward buying based on the situation, which especially happened in quarter one and also the geopolitical topics.

And if you try to bring that in a quantification, it is that the working-day impact on half year one is roughly – 70-75 basis points for Adhesive Technologies and the forward buying effect is for the half year around 100 basis points. So that is how the things are impacting.

And if you would -- because I think your point was on Q2. If you take that on Q2, you know that we had an organic sales growth of 7.4%. That would be roughly 5% if you would take these effects out, means the working-day impact is roughly 150 basis points for the Q2 and is around 120 basis points for Q2 when it comes to forward buying impact.

And nevertheless, if you think about 5%, that is a very strong performance despite these effects, and I think that is an absolute fantastic result in quarter two despite these effects. That's maybe on the first part, and I hope that answers your question on that.

The second question was on the Laundry part. Absolutely right. The situation is that we are faced within the laundry segment over the last couple of quarters with a more intense competitive, but also pressure in terms of organic sales growth, while Q1 was still negative. We have seen Q2 with positive growth development in terms of the organic sales growth in Laundry.

And it is also reflected that we have consistent marketing investments behind our activities. You also have heard me talking about our strategy that we're focusing on premium or premiumization of our brands. That was for Persil always existing, but over the last couple of years, we have been talking about that since the merger. We have been putting also Perwoll more and more on that premiumization part, with also backed technology and reworked formulation and recipes. And I think that is paying off.

And you also see, if you look at our top 10 brands, for sure, Persil and Perwoll are part of that. I've been mentioning before that the top brands been with 60% share, but also with growth between 4% and 5% over the last couple of years and also in the first half. So I think that's clearly pointing out that we are doing quite well on that. You also see that our gross margins are still on a very high level, which brings me to your promotional question.

So the promotional environment is, I would say, not significantly changed. So with more or less unchanged promotional activity has been high now for quite some time. And we stick to our strategy to be prudent when it comes to promotions, and not overdo it.

And I think that is something which is related. If you now see the longer term, we have been improving the gross margins of HCB by more than 1,200 basis points over the last three years. And one part of that is also, for sure, related to the promotional topics. And we don't want a high share of ranked volumes on that.

And again, for the whole year – and maybe that's the last statement on that, we see a positive territory of pricing and volume for the full-year, which you also see reflected in the half year results, for sure, more prominent with volumes, but I think that's exactly our strategy after we have finalized our portfolio work that volume should come back. We always said that, and I think we promised on that in that context. I hope that helps, Olivier.

Jean-Olivier Nicolai - *Goldman Sachs Group Inc - Analyst*

Absolutely. Thank you very much for the answer.

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

You're welcome.

Operator

Christian Faitz, Kepler Chevreux.

Christian Faitz - *Kepler Cheuvreux SA - Analyst*

Yes. Thanks. Good morning Carsten, Marco and Leslie and team. Here's my one question. So I guess it's for Marco. You have quite a few acquisitions on the table this year. How smoothly would you believe that can be integrated from a systems perspective? Have all of them or most of them already or are they running on SAP S4/HANA, for example? Thanks very much.

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

Despite the fact that you said that Marcos should answer that question, and I'll let Marco answer this question. But one thing is all important, Christian, and that is more now branding strategy and business strategy, not with all the acquisitions, we immediately believe they should be completely integrated. As an example, Not Your Mother's is a brand, is a business which has been growing significantly in the last couple of years. And we also would like sometimes to learn from acquisitions. And in that context, for example, we will let Not Your Mother's at least at the beginning, run quite independently. So therefore, it is not always one acquisition or all acquisitions fit one day. But your question was more related to the system part. And here for I hand over to Marco.

Marco Swoboda - *Henkel AG & Co. KGaA - Executive Vice President Finance, Purchasing, Global Business Solutions and Digital/IT*

Good. Yeah, good morning. So Christian from my side. Yes, it really depends by deal, and I think Carsten introduced that already. We do expect from a pure system integration, the Consumer Brands acquisitions, Not Your Mother's, OLAPLEX will be rather fast, it's also less complex, while what Carsten said is that doesn't mean that we also fully integrate that into the business structure from day one. I think there is what Carsten alluded to.

We really designed the integration according to the needs, and we are for sure, considering that we need to maintain the dynamics also of the businesses that we bought. So a very tailored integration approach. And on Adhesive Technologies, both acquisitions run on SAP. But as you know, Stahl has not even been closed yet. So we're going to look at that once also closed and then define the detailed timing.

Here, we will take probably our time – one, two years to get that fully done because they operate on a quite consistent system already. And we will do that step by, as I said. But again, that will be determined once we also have full access to Stahl.

Christian Faitz - *Kepler Cheuvreux SA - Analyst*

Great. Thanks both, and obviously, congrats on the solid results.

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

Thank you.

Operator

Nicolas Ceron, Bank of America.

Nicolas Ceron - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Morgen Carsten, Marco and Leslie. Just a question on pricing in Adhesives, could you tell us how much further pricing you think you need to take in H2 to cover the increase in good costs? And given your price early in Adhesives, why do you think the margin should be down in H2 in that business? Because I thought that the whole point of pricing early was to protect the margin in H2. Thank you.

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

So, Nicolas, if you say guten Morgen, then we say Bonjour. I hope you're doing fine. So regarding your pricing question in Adhesives. So first of all, yes, we have been taking, and I think that was one of the learnings out of the last – call it environmental or geopolitical challenges – we took pricing quite early, which also was a little bit impacting the so-called forward buying impact in Adhesives.

And I think we have shown in both in quarter one and quarter two, quite good pricing components. I think in quarter one, not I think, it was in quarter 0.4 and it was more than 3% in the quarter two, so brings the half year ofaround 1.8%. And we expect also pricing to remain strong in H2 supported by the swift execution of the pricing initiatives in response to the raw material cost inflation.

On the other side, for sure, the cost will come in. As Marco alluded that before, more in the second half. And the pricing will annualize in the remainder of the year and anyway remain strong as said before. I think that's how I would see that overall in terms of the pricing situation in Adhesives and how we do that. Marco, anything to add?

Marco Swoboda - *Henkel AG & Co. KGaA - Executive Vice President Finance, Purchasing, Global Business Solutions and Digital/IT*

Yeah, maybe on the material cost, I mean, we said there is a time lag and that also results in H2 being much more exposed to the raw material cost headwind than the first half. I think that's what we also said before. So H2 from a raw material cost perspective will be hit much harder.

And then second, there's also a mathematical effect, if you fully pass it on at the end, the increase in raw material costs in absolute terms, then percentage-wise, you also see that your margin will decrease slightly to say the result of mathematics. And that is all what we backed into the guidance for the year.

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

Thank you, Marco. I hope that helps, Nicolas.

Nicolas Ceron - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Vielen Dank. Very good. Thank you.

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

Thank you.

Operator

Callum Elliott, Bernstein.

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

Hi, good morning. It's Callum Elliott, as you guys probably know. So my question is on Mobility and Electronics, please. Collectively, I think you guys said last year 36% of Adhesives revenues from Mobility & Electronics. But I guess, very, very different trends between the Mobility part and the Electronics part. So I'm hoping that I can get you to speak a bit about the relative size of the two parts.

I think a few years ago, the last time you quantified this, it was about one-third Electronics and two-third Mobility, but I imagine that changed quite a bit over the past few years and so hoping to get a bit of an update on what that split looks like today?

And then maybe just some more color on specifically the growth of the electronics part, I think you said double digit, but maybe just some color on where in the range of 10 to 99 that sits, please.

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

Good morning, Callum. So, yes, to give a little bit on that. As we said, Mobility & Electronics has been the most growing part within the three divisions of Adhesive Technologies. If you go on the split, Auto, in the meantime, is slightly less than 20% of the overall portfolio of Adhesive Technologies while Electronics and Industrials each have a high single-digit percentage within our portfolio.

And yes, for sure, Electronics over the last couple of years has been based on the overall double-digit growth, which is a pattern which we have seen over a couple of years in that context, also slightly increased their overall share while automotive went a little bit down.

And I think that is important already despite quite high comps, which are in Electronics. As I said before, the double-digit and even it's more than 10% in that context. It is something which has always been, for sure, increasing the comps year by year.

And if you look at Electronics, again, in Q2, we have seen a clear double-digit growth rate despite the tough or the prior year comparables. Growth was driven by strong underlying demand across the core electronics application supported by solid customer activities in the key end markets, and we did not observe any relevant or broad-based prebuying. In Electronics, I think that's also important to mention. And that, I think, is the overall situation. And I referred during my presentation also about the content part in electronics, the number of solutions, which we are in devices, mobile devices, tablets, is significantly increasing. It will go up to 80 components, and that's doubling over a longer term period. And I think that's, I think, on that part. I think I mentioned it already, but I think in that part, I think it's also important to repeat it again.

The automotive part stabilized in Q2, and we see that stabilization part not only in Q2, we are also expecting that for the second half of the year, returning to positive territory.

And I also mentioned here the differentiation between combustion engines and the electronic-based vehicles where we have 2 times higher potential, at least 2 times the higher potential than in the combustion engine with roughly EUR250 of net sales per car in that context. And I hope that gives you a little bit more insights in the topic of automotive, electronics and in that situation overall.

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

Thank you very much.

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

You're welcome.

Operator

David Hayes, Jefferies.

David Hayes - *Jefferies LLC - Analyst*

Thank you. Good morning all. I'm going to have a cheeky follow-up and then a question, if I can. So the cheeky follow-up of Callum's question just now. One of your competitors in Adhesives called out electronics seemingly slowing quite sharply in China. They also called out second half semiconductor shortage risks, which you don't seem to be alluding to at all. So I just wonder whether you'd confirm that that's something that's unique to them rather than anything that you're anticipating or factoring?

And then my question, also Adhesives, is on tapes. You called out again that tapes got this better growth profile the chatter in the adhesives world seems to be that the tapes is the future. So obviously, you are now in that area with ATP, but is this an area you need to acquire more deeply into? Or is this an area you can evolve into organically so that you're kind of up with that trend as we move into the midterm.

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

Good morning, David. So for the first question, I can be very short. We don't see that what you have described in our business, for sure. I've also seen some cross reads, but I can't confirm that for Henkel or for Henkel Adhesive Technologies in that perspective.

On your second part regarding tapes, I think, first of all, we see definitely that – I start differently. I think we talked about that before that we have seen specialty coatings and also tapes as we pointed that out before we internally see that as new strategic platforms for our portfolio to broaden our portfolio based on the attractivity of the market of these markets also from a growth perspective. That was the reason why we went behind these two categories and with ATP already closed.

And Marco talked about that Stahl should be closed within the second half of the year. We will step into these new platforms. And therefore, ATP really is a growth platform organically, but also potentially for further M&A. Going forward, it's a highly attractive and fast growing part of the global tapes market, especially which is beyond the liquid systems. I think that is I think strategy-wise, absolutely the right thing what we want to do. The market offers in that segment highly single-digit growth rates in that part, which ATP is predominantly playing.

So in that context, ATP is a high-performance water-based specialty tapes provider with a broad and wide variety of end markets. And that's, I think, absolutely in line with our strategy. And for sure, we will continue and it is a clear strategic fit.

We would like to take what we have bought as an organic basis to participate. You have also heard me saying that in all the acquisitions which we have done, the five or will do, we see mid- to high single-digit growth rates, which will contribute to the point that in 2030, we see at least EUR2 billion of sales with these five acquisitions.

David, I hope that helps.

Operator

Warren Ackerman, Barclays.

Warren Ackerman - *Barclays Services Corp - Equity Analyst*

Yes, good morning, Carsten, Marco, Leslie. Warren here at Barclays. I'm going to try and squeeze two in. The first one, just on Hair Care, still very good in the first half, but in Q2, I think it did slow versus Q1. Can you maybe just outline what's happening in the Hair Care market? It's obviously still very dynamic. But are you seeing any signs of your share gains slowing? Maybe you can outline how Schwarzkopf is doing versus the rest of Retail Hair and how you're thinking about Hair in the back half?

And then secondly, just back on M&A, I think you spent EUR5 billion on M&A, but your balance sheet is still very strong. How much more firepower do you still have to do more deals? And then Marco can you maybe say what the sales and EPS contribution you expect from the M&A for 2027, you kindly gave us the help for 2026, but for 2027, thank you.

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

So Warren, Marco will take the M&A question, but I can tell you, Marco has always money. But Marco will quantify that and allude on that. But to your first question or better my answer to your first question is quite short. It is really quarterly volatility. Hair is a growth engine.

And I could now allude to that we had a little bit tougher comps in that context. But the point is we are doing very well in Professional and Consumer. We are doing that now since a couple of years in a row, and there is nothing to read out of a little bit less organic growth in quarter two than in quarter one.

And I think it's also backed by the point the acquisitions which we are doing, Not Your Mother's and OLAPLEX both in the field of Hair, one more in Retail, one more in Professional we see market share gains in Hair throughout the whole year. We have strong innovations behind that.

And there's nothing to read out. Even a 3-point something is a fantastic, is a good result in that environment in which we are in. And I said it during my part of the presentation, we are now the global number 2 in the Professional area with the acquisition of OLAPLEX and I think nothing more to say on that. And now it's time for Marco.

Marco Swoboda - *Henkel AG & Co. KGaA - Executive Vice President Finance, Purchasing, Global Business Solutions and Digital/IT*

Good, Warren. So on the firepower question, so what our lending is that after the conclusion also of the Stahl acquisition, i.e., end of the year. Now we're going to see leverage of 1.5 times EBITDA, roughly. And that stands well within the A category for the rating. And the A rating category is our policy as well. So we want to be within that policy and that border for that policy is 2.5 times EBITDA. So you see that we still have firepower to even engage more into acquisitions.

Leverage is not too high yet, but it has to be, of course, the right transaction before we would engage.

Warren Ackerman - *Barclays Services Corp - Equity Analyst*

Would that be another EUR5 billion in my calculation? I mean would it be like EUR10 billion, EUR2.5 billion, EUR1.5 billion, it would seem like you have a EUR5 billion at least.

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

Warren, we will be creative when it comes to that. And therefore, there is not a single number which we will give you, if there is a once in a lifetime opportunity, we will make sure that we will get that lifetime opportunity the rest Marco has said.

Marco Swoboda - *Henkel AG & Co. KGaA - Executive Vice President Finance, Purchasing, Global Business Solutions and Digital/IT*

The 27 M&A benefit. So what we can say is, and I think we said that in the call. When you look at the acquisitions, assuming all have closed, and then we look at an annual sales contribution of EUR1.6 billion, that is on pro forma 2025. So that, of course, you can assume that the businesses will grow and that will be then also the top line contribution in 2027 from a net sales perspective.

And on the bottom line, we will come back later in the future and give you more insight. But what we said is that by 2030 we're going to see at least 10% contribution to EPS with a gradual ramp-up over the years while we realize synergies and so on. But we will not be more outspoken today because I first want to see also the purchase price allocation effects, all that being now finalized, before I comment on the single year 2027.

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

And you have been saying based on Marco's number of the EUR1.6 billion, we expect in 2030 that this number will be at least EUR2 billion.

Warren Ackerman - *Barclays Services Corp - Equity Analyst*

Got you. Thank you.

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

You're welcome.

Operator

Juan Rios Peris, Santander.

Juan Rios Peris - *Santander - Analyst*

Congrats on the strong results. One question from my side. Could you provide some more details on the weaker performance in Adhesive Technologies in Latin America? What were main factors behind the decline? And how should we think about the outlook for the region going forward? Thank you very much.

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

Good morning. And yes, we can give you a little bit insight on that. The point is more we had a negative development in Q1, which was mainly due to negative effects from the US tariffs on value chain and demand.

LATAM returned to positive organic growth in quarter two supported by recovery of volumes and the favorable working day impact, but the organic growth was broadly in line with the overall market environment. And I think that's the overall situation and in Q2, especially Packaging and Consumer Goods was the strong driver of that performance in Q2. I hope that helps.

Operator

Mikheil Omanadze, BNP Paribas.

Mikheil Omanadze - *Exane Bnp Paribas - Analyst*

Good morning, Carsten, Marco and Leslie. One question for me, please. I know you cannot comment much on current trading, but I was wondering if you could give any high-level commentary on how both businesses performed in July. And more specifically, on Adhesives, are you seeing any signs of reversal of prebuying? And if not, do you expect to see some degree of reversal in H2?

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

So, Misha, you're absolutely right that we don't comment on current trading, but I have a smile in my face if I look at the performance in July. Hope that helps.

Mikheil Omanadze - *Exane Bnp Paribas - Analyst*

That's very clear. And on the reversal of prebuying?

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

Now, we said that there will be – and I think Marco was also a little bit talking about that – this part is related to Adhesive Technologies. Marco, do you want to say something?

Marco Swoboda - *Henkel AG & Co. KGaA - Executive Vice President Finance, Purchasing, Global Business Solutions and Digital/IT*

I mean, so far, we haven't seen that reversal happening. I think that's what we can say. But still as we said before, timing when that will happen is unclear. And we need to assume that will happen once there is really the situation in the Middle East and the supply chains once that is really resolved. And I don't think we can say that now.

Mikheil Omanadze - *Exane Bnp Paribas - Analyst*

Very clear. Thank you.

Operator

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

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

Thank you for your questions. And with that, let me close today's call reminding you to the upcoming financial reporting dates. We are looking forward to connecting with you again in November when we all publish our Q3 results.

And with this, I would like to thank you for joining our call today. Have a good day. Take care, and goodbye.

Marco Swoboda - *Henkel AG & Co. KGaA - Executive Vice President Finance, Purchasing, Global Business Solutions and Digital/IT*

Bye-bye.