Henkel 2020+
Sustainable profitable growth
2020 and beyond

Hans Van Bylen, Carsten Knobel
Düsseldorf, January 21, 2019
Disclaimer

This information contains forward-looking statements which are based on current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. Statements with respect to the future are characterized by the use of words such as “expect”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, and similar terms. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and results actually achieved by Henkel AG & Co. KGaA and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Henkel’s control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Henkel neither plans nor undertakes to update any forward-looking statements.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Henkel’s net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

This document has been issued for information purposes only and is not intended to constitute an investment advice or an offer to sell, or a solicitation of an offer to buy, any securities.
Key points you will hear from us today

- Strong foundation with leading positions in key markets and categories
- Strong progress in the implementation of our strategic priorities
- Good performance in 2017 and 2018 despite significant headwinds
- Realize attractive opportunities to reinforce growth momentum
- Stepping up investments in brands & technologies, innovation and digitalization
- Committed to long-term sustainable value creation and attractive returns
1. Henkel 2020+: Executing our strategy
2. Realizing opportunities, strengthening growth
3. Outlook and mid- to long-term ambition
4. Summary and Q&A
Strong and consistent long-term performance
Step-change in sales and profitability

Attractive portfolio of three business units

- Strong operating performance, complemented by compelling acquisitions
- Adhesive Technologies – global market leader with scale and breadth
- Beauty Care – focused portfolio with core competence in Hair Retail and Professional
- Laundry & Home Care – leading positions with strong global and local brands

Sustainable and profitable growth path

Sales € bn

Adj. EBIT %


15.1 15.6 16.5 16.4 16.4 18.1 18.7 20.0

12.3% 13.0% 14.1% 15.4% 15.8% 16.2% 16.9% 17.3%
Henkel 2020+
Executing our strategy

- Generate profitable growth and attractive returns
- Become more customer-focused, innovative and agile
- Lead digital transformation in all business activities
- Promote sustainability across the entire value chain
- Advance our portfolio with value-adding acquisitions
Henkel 2020+
Continued strong progress in the implementation of our strategic priorities
Good development despite significant headwinds

Preliminary results 2018

- Good organic sales growth, driven by strong performance of Adhesive Technologies
- North American consumer goods businesses negatively affected by delivery difficulties
- Substantial FX headwinds impacting top line (amounting to around 1.1 billion euros) and bottom line
- Improvement in Adjusted EBIT Margin by 30 bps supported by Fund Growth initiatives and synergies
- Adjusted EPS above previous year, up by around 7% excluding FX effects

<table>
<thead>
<tr>
<th>Sales</th>
<th>Organic Growth</th>
<th>Adjusted EBIT</th>
<th>Adjusted EBIT %</th>
<th>Adjusted EPS Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ 19.9 bn</td>
<td>+2.4%</td>
<td>€ 3.5 bn</td>
<td>17.6%</td>
<td>+2.7% (+7%(^1))</td>
</tr>
</tbody>
</table>

\(^1\) rounded, at constant currencies
**Good progress on financial ambition**

Substantial volatility and magnitude of currency headwinds

<table>
<thead>
<tr>
<th></th>
<th><strong>Ambition 2020</strong></th>
<th><strong>Status 2017-18</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic Sales Growth</strong></td>
<td>2 - 4% (Average 2017 – 2020)</td>
<td>+2.7% (Average 2017 – 2018)</td>
</tr>
<tr>
<td><strong>Adjusted EPS Growth</strong></td>
<td>7 - 9% (CAGR 2016 - 2020, per preferred share)</td>
<td>+5.9% (around +9% FX-adjusted) (CAGR 2016 - 2018)</td>
</tr>
<tr>
<td><strong>Adjusted EBIT Margin</strong></td>
<td>Continued improvement in Adjusted EBIT Margin</td>
<td>Continued increase by 40 bps in 2017 and by 30 bps in 2018</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>Continued focus on free cash flow expansion</td>
<td>Increase to ≥ € 1.8 bn in 2018</td>
</tr>
</tbody>
</table>
Agenda

1. Henkel 2020+: Executing our strategy
2. Realizing opportunities, strengthening growth
3. Outlook and mid- to long-term ambition
4. Summary and Q&A
Realizing opportunities, strengthening growth
Step up investments in brands & technologies, innovation and digitalization

- Outperform by leveraging scale and breadth of the Adhesive Technologies portfolio
- Accelerate growth in Beauty Care Retail, continue momentum in Professional
- Win market shares and execute innovation strategy in Laundry & Home Care
- Advance to next level of digitalization
Adhesive Technologies
Well positioned to deliver sustainable profitable growth in a challenging environment

▪ **Global market leader with scale and breadth**
  Strong portfolio with leading positions across industries, regions and technologies
  Proven track record to adapt resource allocation to capture best opportunities

▪ **Attractive business model**
  Superior value to our customers through high-impact solutions
  High-touch business model, driven by customer insights and deep technology/application expertise

▪ **Creating value through transformative solutions**
  Capture growth by leveraging megatrends such as connectivity, eMobility or sustainability
  Unique, scalable platform to expand into new segments
Leveraging growth opportunities
Creating value with transformative solutions

- **Expand positions in Growth Markets & Technologies**
  - Drive emerging applications in lightweight and electrification
  - Continue bolt-on acquisitions of selected new technologies

- **Capture full innovation potential**
  - Unmatched knowledge, co-creating innovations with market leaders
  - Leveraging state-of-the-art innovation centers & broad network of experts

- **Create unique digital customer experience**
  - Developing integrated data foundation to better serve our customers
  - Expand customer base through digital demand generation and conversion
Beauty Care
Growth opportunities in both Retail and Professional

- **Strong brand portfolio with key competence in Hair**
  Compelling portfolio of global and local brands, delivering structurally high gross margins
  Retail with strong performance in Coloration & Styling, continuously strong momentum in Professional

- **Weakened growth in Beauty Care Retail**
  Volume-driven category Hair Care especially affected by intense price and promotion pressure
  North America Retail with challenges in Body Care

- **Attractive growth opportunities**
  Strong underlying growth trends such as naturality and new emerging consumer groups
  eCommerce revenues increasing double-digit
Drive superior growth in Hair
Holistic innovation plan across all Hair segments

- **Complete relaunch of hair care portfolio**
  Trend-based innovations on Gliss and Syoss, linking nature & performance
  Holistic relaunch of family brand Schauma with vegan formulas

- **Accelerate strong growth momentum in hair coloration**
  Launch of complementary brand OnlyLove, addressing “free-from” trend
  Strong product innovations on Palette, leveraging fashion trends

- **Boost success of leading styling brands**
  taft tackling “natural looking” trend with Casual Chic innovation
  Relaunch and expansion of millennials mega brand got2b
Back to growth in North America
Targeted growth plan with strong initiatives

- **Build on strong brand equity of Dial**
  - Extend body wash with Silk Moisture offering
  - Leverage “Healthier skin, healthier us” equity with Dial Complete subline

- **Expand in attractive hair coloration category**
  - Relaunch and expand Color Ultime’s premium trend color portfolio
  - Launch new Keratin Color variants

- **Accelerate success of got2b across categories**
  - Further expand got2b trend color offerings
  - Expand PHENOMENAL male line in hair care
Continue to outperform in Professional
Sustain very strong growth momentum

- **Strengthen profitable organic growth**
  - Roll-out new Professional brands outside North America
  - Enter additional distribution channels to drive growth

- **New state-of-the-art interactive B2B ePlatform**
  - Drive sales via speed, convenience and end-to-end customer experiences
  - Ensure better customer service, solutions and 1:1 relationships

- **Innovation offensive in all categories**
  - Launch high potential color and care initiatives under Schwarzkopf
  - Expand with strong Bonacure and Joico hair care offensive
Laundry & Home Care

Strong growth potential driven by leading brand portfolio and technologies

- **Leading market positions with global & local brands**
  Unique coverage of Laundry & Home Care market leading with more than 70 #1 positions
  Attractive combination of global megabrands like Persil and local jewels

- **Good but lower growth dynamics**
  Strong momentum in premium detergents, toilet care and auto dishwashing
  North America Retail with negative organic sales growth and lower market share level
  Value-for-money laundry under price and promotion pressure

- **Attractive growth opportunities**
  Position in fast growing single-unit dose segment to be strengthened
  Strong underlying growth trends such as naturality / convenience and growing importance of eCommerce
  Further potential to expand high-margin Home Care business driven by strong brand portfolio and innovations
Relaunch of megabrand Persil
Introducing superior formulas and convenience

- Full-scale omni-channel Persil relaunch
  Global relaunch with new “deep clean” concept and formula
  Hyper-concentrated formulas and fully eCommerce-ready packaging

- New premium technologies
  First-to-market 4-chamber disc in fast growing caps segment
  New breakthrough variants with new technology fighting malodor

- Full global relaunch of value-for-money brands
  Relaunch with unique +50% freshness formula
  Line extensions with exclusive perfume technologies
Turn around North America
Relaunch of entire portfolio and strong innovations for new growth momentum

- **Reinventing ‘all with its unique free and clear positioning**  
  Complete relaunch of ‘all product portfolio across categories  
  leveraging our global technology expertise

- **Win in the strongly growing caps segment**  
  Launch of innovative Persil ProClean Disc  
  Expansion in value-for-money caps with Purex 4-in-1

- **Expanding leading fabric finisher brand Snuggle**  
  Entrance into premium fragrance segments with new “Snuggle Scent Shakes” offering unparalleled scent experience
Expand Home Care to strengthen profitable growth
Leveraging blockbuster brands and key trends

▪ Superior performance in dishwashing
  Relaunch of full Somat product range with new tabs and gel generations
  New Pril pearls innovation in hand dishwashing anti-grease

▪ Expand successful offering in toilet care
  Accelerate global success of toilet rimblocks with new deluxe scent

▪ Fully capture Health and Sustainability trends
  Launch of new green products with eco-certified formulas and sustainable plastic strategy
Advance to next level of digitalization
Significant expansion of investments in digital businesses, analytics & infrastructure

- **Driving digital sales and new business models**
  Strong development of eFormats and specific offers to boost digital sales
  Develop new digital services and products, implement IoT strategy

- **Advance digital customer & consumer interaction**
  Rapid expansion of digital analytics, eCRM and eShopper category mgmt
  Dedicated in-house social media team & content factory

- **Leveraging Industry 4.0**
  Real-time leverage of automation and robotics, sensorics and analytics

- **Digital infrastructure**
  Set-up of new digital workspaces and investments in cyber security,
  upgrade of network capacity and site infrastructure
€ 300 million higher investments in brands & technologies, innovation and digitalization

- Sustainably higher growth investments
- Accelerating top-line growth with focus on consumer goods business
- Step-up of investments in digitalization
Agenda

1. Henkel 2020+: Executing our strategy
2. Realizing opportunities, strengthening growth
3. Outlook and mid- to long-term ambition
4. Summary and Q&A
Current market environment
Mixed market dynamics with headwinds from currencies and commodities

**Industrial Production**
Slowing growth momentum, but still good growth of IPX

**Mixed HPC markets**
Persisting difficult conditions and ongoing competitive/pricing pressures

**Devaluing EM currencies**
Lower currency headwinds, though still negatively affecting top and bottom line

**Pressure from Direct Material prices**
High volatility and uncertainty on commodity markets with ongoing cost pressure
Business Priorities 2019

- Continue momentum of Adhesive Technologies in a lower growth environment
- Execute strong innovation strategy with higher investments in Consumer Goods businesses
- Advance to next level of digitalization
- Continue our strong focus on cost discipline, drive efficiency and adapt structures
- Strong focus on Working Capital improvement and Free Cash Flow expansion
- Enhance value proposition of portfolio organically and via acquisitions
## Guidance 2019

<table>
<thead>
<tr>
<th></th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic Sales Growth</td>
<td>2 - 4%</td>
</tr>
<tr>
<td>Adjusted EBIT Margin</td>
<td>16 - 17%</td>
</tr>
<tr>
<td>Adjusted EPS</td>
<td><strong>Mid single digit % below PY</strong> (constant currencies)</td>
</tr>
</tbody>
</table>
Committed to execute our strategy

- Generate profitable growth and attractive returns
- Become more customer-focused, innovative and agile
- Lead digital transformation in all business activities
- Promote sustainability across the entire value chain
- Advance our portfolio with value-adding acquisitions
Mid- to long-term financial ambition
Committed to sustainable profitable growth

- Achieve organic sales growth of 2-4%
- Deliver mid to high single-digit % adjusted EPS growth at constant currencies
- Continued focus on Free Cash Flow expansion
- Pursue compelling growth opportunities with superior execution
- Maintain rigorous cost discipline and focus on margin
Consistent capital allocation supporting our ambition

Excellent Free Cash Flow and strong Balance Sheet

- Continue implementation of comprehensive CapEx investments
- M&A as integral part of Henkel’s strategy
- Target dividend payout range increase from 25 - 35% to 30 - 40%
Agenda

1. Henkel 2020+: Executing our strategy
2. Realizing opportunities, strengthening growth
3. Outlook and mid- to long-term ambition
4. Summary and Q&A
Key take-aways

- Implementation of Henkel 2020+ well under way
- Preliminary results 2018: Good performance despite significant headwinds
- Stepping up investments in brands & technologies, innovation and digitalization
- Outlook for 2019 reflecting higher growth investments while maintaining high cost discipline
- Mid- to long-term financial ambition for 2020 and beyond reinforcing commitment to delivering sustainable profitable growth
- Increased target dividend payout range
Key points you heard from us today

▪ Strong foundation with leading positions in key markets and categories
▪ Strong progress in the implementation of our strategic priorities
▪ Good performance in 2017 and 2018 despite significant headwinds
▪ Realize attractive opportunities to reinforce growth momentum
▪ Stepping up investments in brands & technologies, innovation and digitalization
▪ Committed to long-term sustainable value creation and attractive returns
Back-up
## FY 2019: Additional input for selected KPIs

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic Sales Growth by Business Unit</td>
<td>All Business Units within Group range of 2 - 4%</td>
</tr>
<tr>
<td>Adjusted EBIT Margin by Business Unit</td>
<td>Adhesive Technologies: 18 - 19%</td>
</tr>
<tr>
<td></td>
<td>Beauty Care: 15 - 16%</td>
</tr>
<tr>
<td></td>
<td>Laundry &amp; Home Care: 16.5 - 17.5%</td>
</tr>
<tr>
<td>Currency Impact on Sales</td>
<td>Low single digit % negative&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Prices for Direct Materials</td>
<td>Low single digit % increase&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Restructuring Charges</td>
<td>€ 200 - 250 m</td>
</tr>
<tr>
<td>CapEx</td>
<td>€ 750 - 850 m</td>
</tr>
</tbody>
</table>

<sup>1</sup> versus the prior year
Adhesive Technologies
Key Financials FY 2018 (preliminary)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales in €bn, OSG in %</th>
<th>Adj. EBIT Margin in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>9.4</td>
<td>18.5</td>
</tr>
<tr>
<td>2018</td>
<td>9.4</td>
<td>18.7</td>
</tr>
</tbody>
</table>

+4.0% +20 bps
Beauty Care
Key Financials FY 2018 (preliminary)

**Sales in €bn, OSG in %**
- **2017**: 3.9
- **2018**: 3.9

-0.7%

**Adj. EBIT Margin in %**
- **2017**: 17.2
- **2018**: 17.1

-10 bps
Laundry & Home Care

Key Financials FY 2018 (preliminary)

### Sales in €bn, OSG in %

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>6.4</td>
<td>+1.9%</td>
</tr>
</tbody>
</table>

### Adj. EBIT Margin in %

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>17.6</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>18.1</td>
<td>+50 bps</td>
</tr>
</tbody>
</table>

Henkel 2020* Sustainable profitable growth - 2020 and beyond