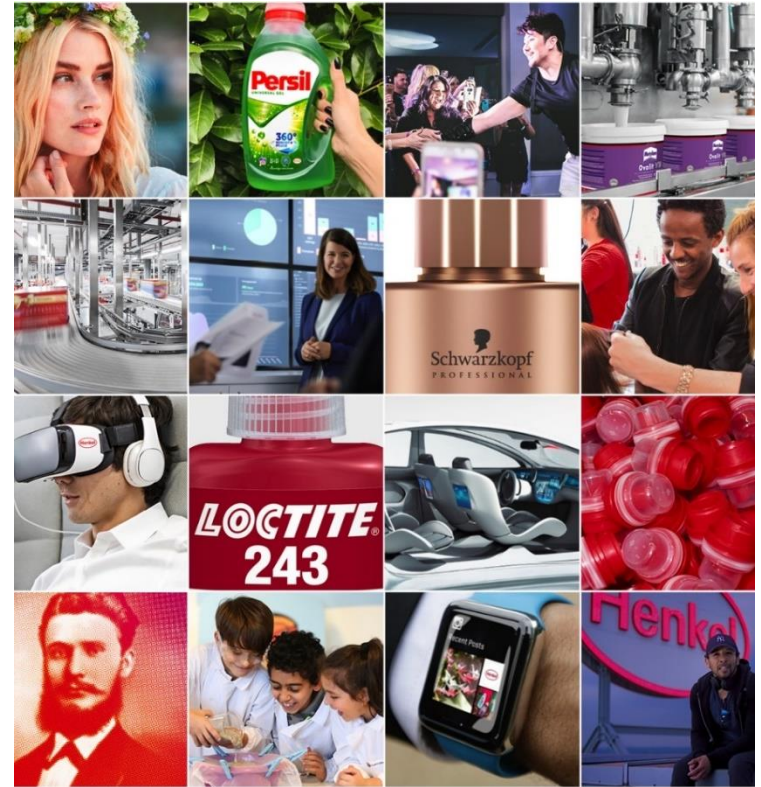


# Henkel 2020<sup>+</sup> Sustainable profitable growth 2020 and beyond

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



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# 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

# 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

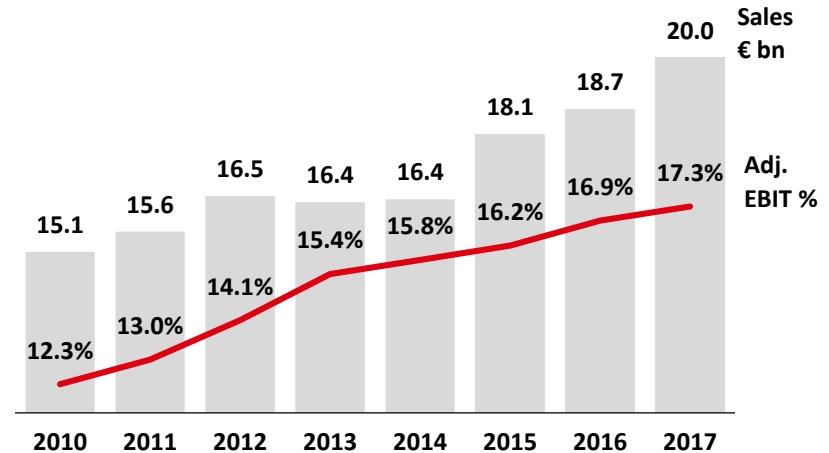
# Strong and consistent long-term performance

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



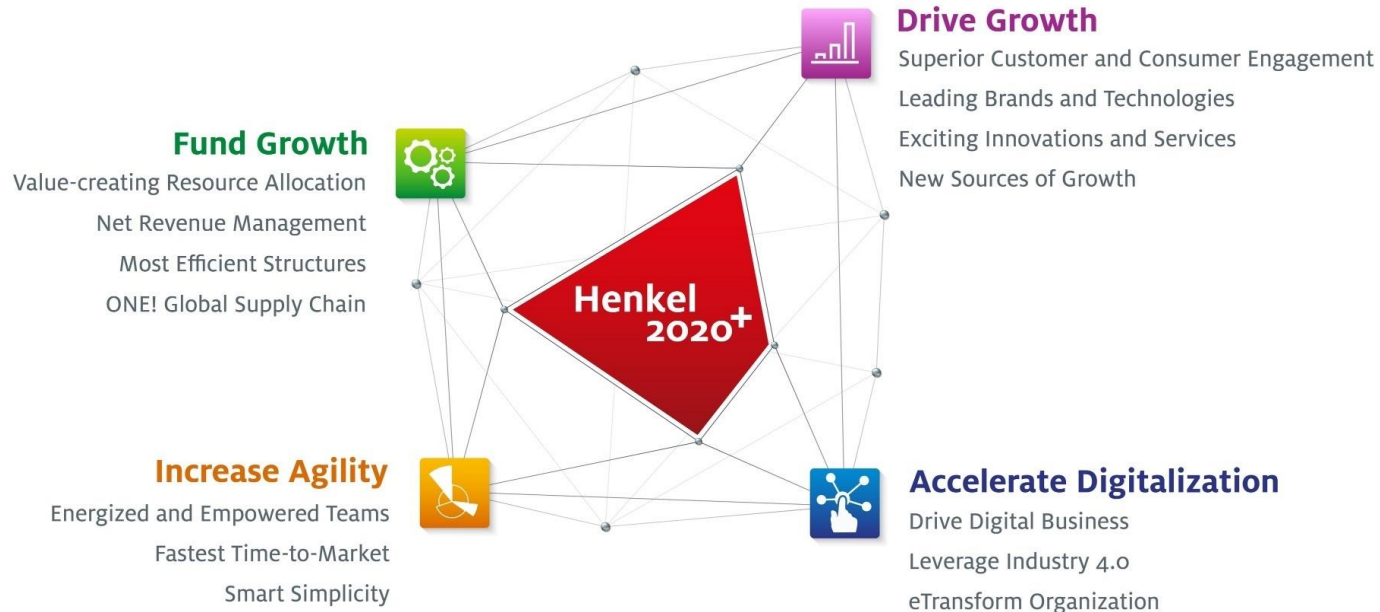
# Henkel 2020<sup>+</sup>

## 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<sup>+</sup>

Continued strong progress in the implementation of our strategic priorities



# Good development despite significant headwinds

Preliminary results 2018

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT %</u>	<u>Adjusted EPS Growth</u>
€ 19.9 bn	+2.4%	€ 3.5 bn	17.6%	+2.7% (+7% <sup>1</sup> )

- 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

<sup>1</sup> rounded, at constant currencies



# Good progress on financial ambition

Substantial volatility and magnitude of currency headwinds

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

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# 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



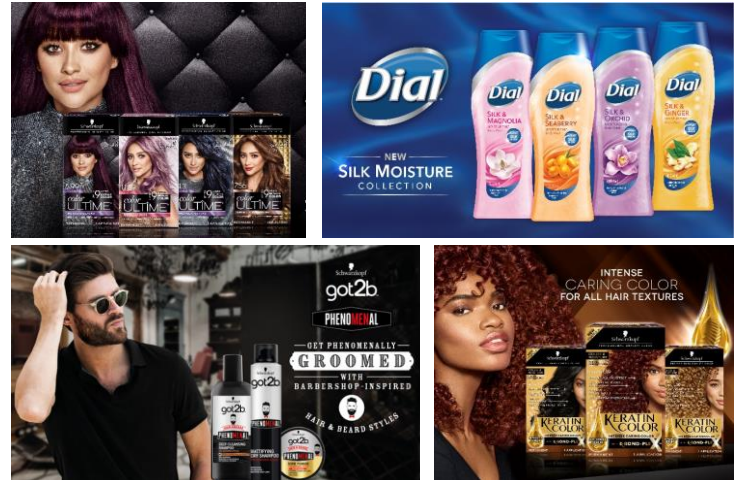
- **Boost success of leading styling brands**

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

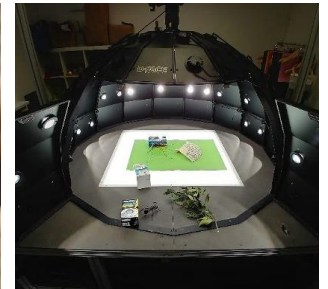
- **Superior performance in dishwashing**  
Relaunch of full Somat product range with new tabs and gel generations  
New Pril pearls innovation in hand dishwashing anti-grease
- **Expand successful offering in toilet care**  
Accelerate global success of toilet rimblocks with new deluxe scent
- **Fully 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

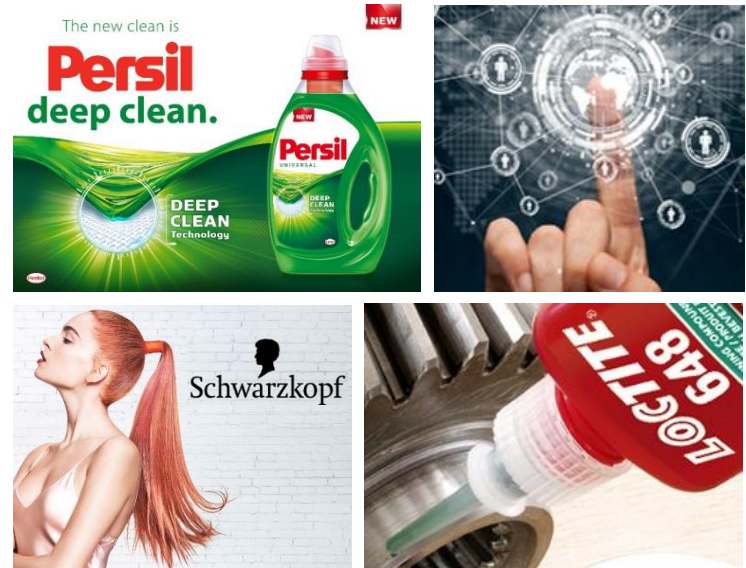
- **Driving digital sales and new business models**  
Strong development of eFormats and specific offers to boost digital sales  
Develop new digital services and products, implement IoT strategy
- **Advance digital customer & consumer interaction**  
Rapid expansion of digital analytics, eCRM and eShopper 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



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# Current market environment

Mixed market dynamics with headwinds from currencies and commodities

## **Industrial Production**

Slowing growth momentum,  
but still good growth of IPX

## **Devaluating EM currencies**

Lower currency headwinds, though still  
negatively affecting top and bottom line

## **Mixed HPC markets**

Persisting difficult conditions and  
ongoing competitive/pricing pressures

## **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

## FY 2019

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Organic Sales Growth

**2 - 4%**

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Adjusted EBIT Margin

**16 - 17%**

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Adjusted EPS

**Mid single digit % below PY**

(constant currencies)

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# 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%

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# Key take-aways

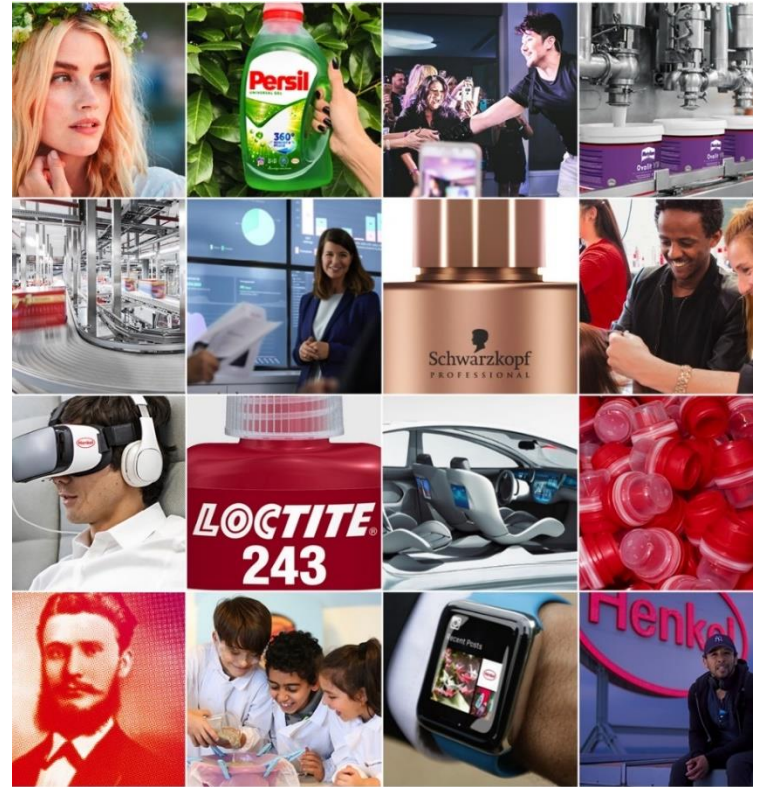
- Implementation of Henkel 2020+ well under way
- Preliminary results 2018: Good performance despite significant headwinds
- Stepping up investments in brands & technologies, innovation and digitalization
- Outlook for 2019 reflecting higher growth investments while maintaining high cost discipline
- 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

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- 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



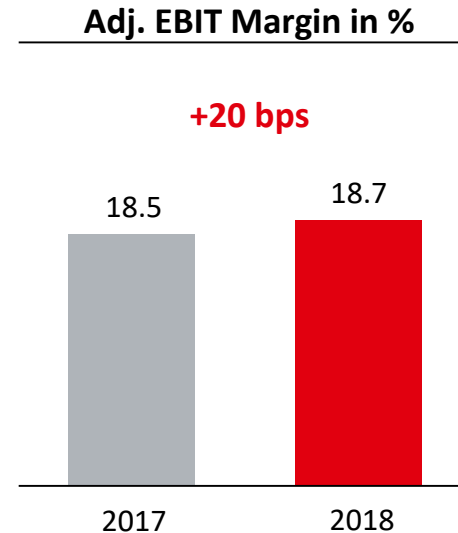
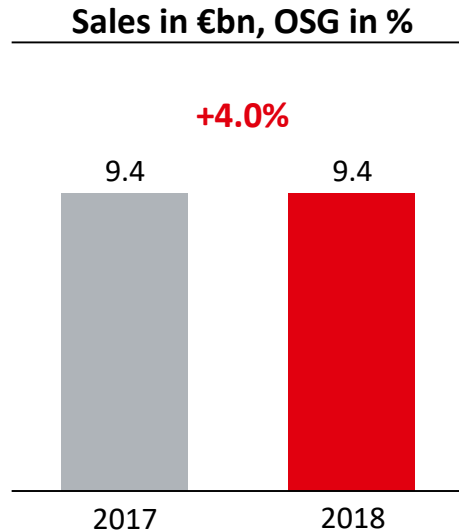
# FY 2019: Additional input for selected KPIs

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

<sup>1</sup> versus the prior year

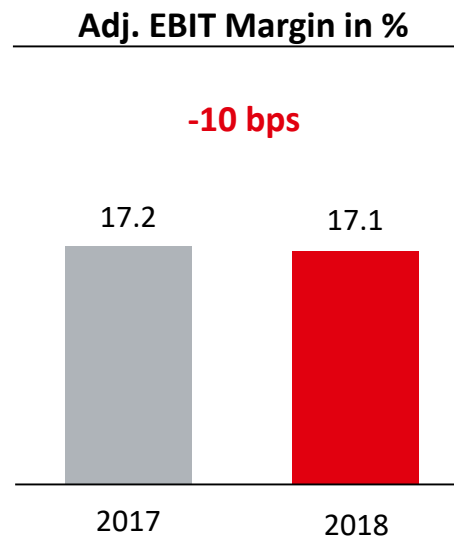
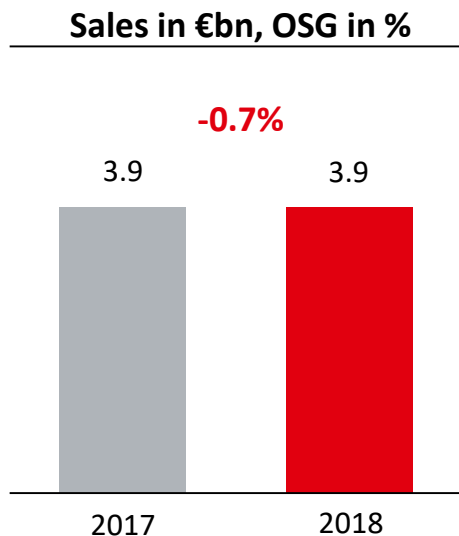
# Adhesive Technologies

Key Financials FY 2018 (preliminary)



# Beauty Care

Key Financials FY 2018 (preliminary)



# Laundry & Home Care

Key Financials FY 2018 (preliminary)

