

# Henkel FY 2018

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# Agenda

1. Key Developments 2018
2. Financials FY 2018
3. Henkel 2020+ and Targeted Growth Initiatives
4. Summary and Outlook

# Henkel with good development in 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 (~€ 1.1 bn) 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 7% excluding FX effects
- Record dividend proposal of € 1.85<sup>2</sup> per preferred share

<sup>1</sup> At constant currencies

<sup>2</sup> Proposal to shareholders for the AGM on April 8, 2019

# Adhesive Technologies

Strong profitable growth across all business areas

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT Margin
€ 9.4 bn	+4.0%	€ 1.8 bn	18.7%

**LOCTITE**

**TECHNOMELT**

**TEROSON**

# Adhesive Technologies

## Highlights FY 2018

### ■ Aerospace

Double-digit growth with high-performance solutions for aircraft manufacturers

### ■ General Manufacturing

Significant growth with Loctite by providing value-accretive solutions to customers across 800 industries

### ■ Automotive Electronics

Double-digit growth with high-impact solutions for connectivity and e-mobility of new generation cars



# Beauty Care

Challenges in Retail in North America, very strong performance in Professional

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT Margin</u>
€ 4.0 bn	-0.7%	€ 0.7 bn	17.1%



**syoss**

# Beauty Care

## Highlights FY 2018

- **Hair Professional**

Significantly accelerated growth momentum across Mature and Emerging Markets

- **Eastern Europe Retail**

Very strong growth, driven by Hair and Body businesses

- **Hair Coloration**

Very strong growth and market share expansion across regions





# Laundry & Home Care

Good organic growth, Emerging Markets compensating for challenges in North America

Sales	Organic Growth	Adjusted EBIT	Adjusted EBIT Margin
€ 6.4 bn	+1.9%	€ 1.2 bn	18.1%

**Persil**



**Bref**

# Laundry & Home Care

## Highlights FY 2018

### ■ Middle East / Africa

Double-digit growth driven by outstanding development of premium detergent and dishwashing business

### ■ Persil

Significant growth from successful global innovations and strong local activation

### ■ Toilet Care

Significant growth and market share expansion thanks to successful core portfolio and strong innovations

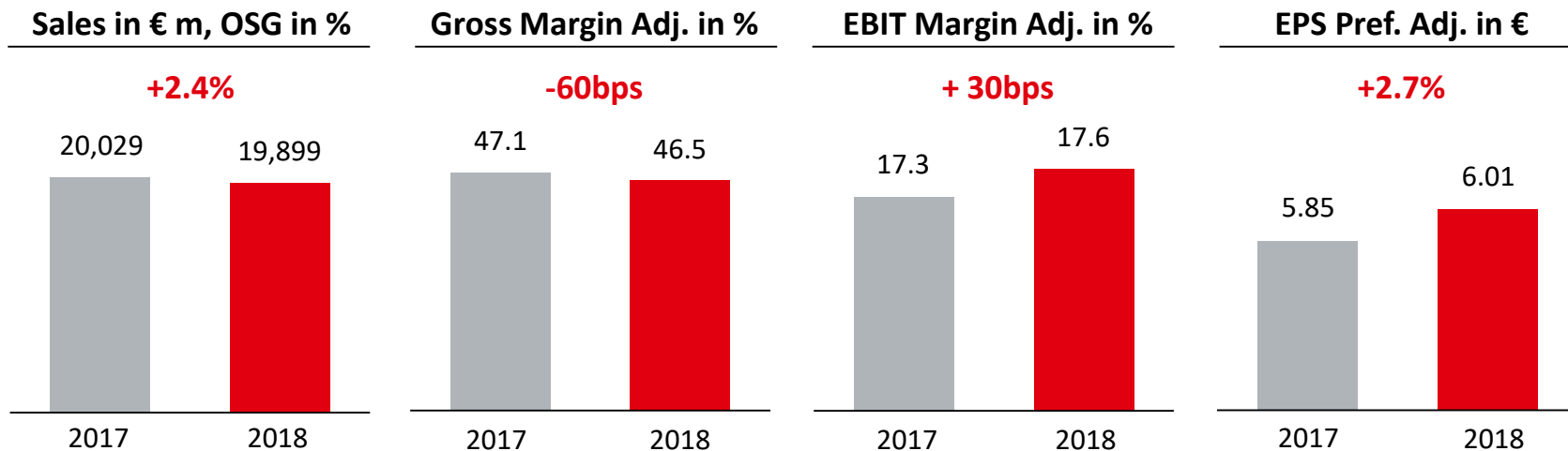


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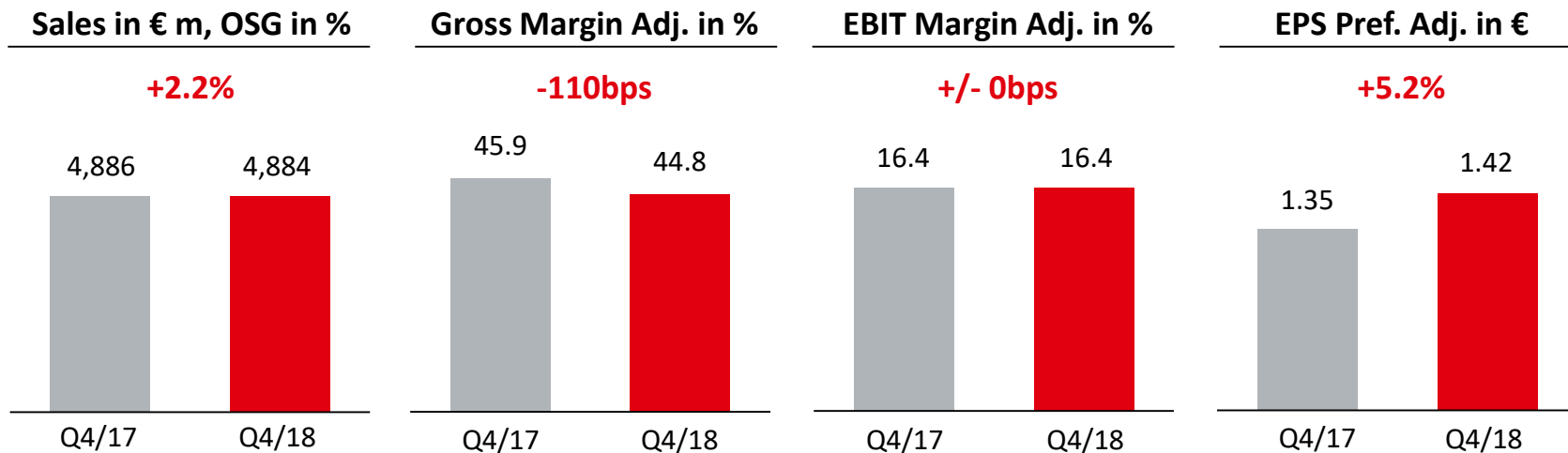
# Commitment to sustainable profitable growth

## Key Financials FY 2018

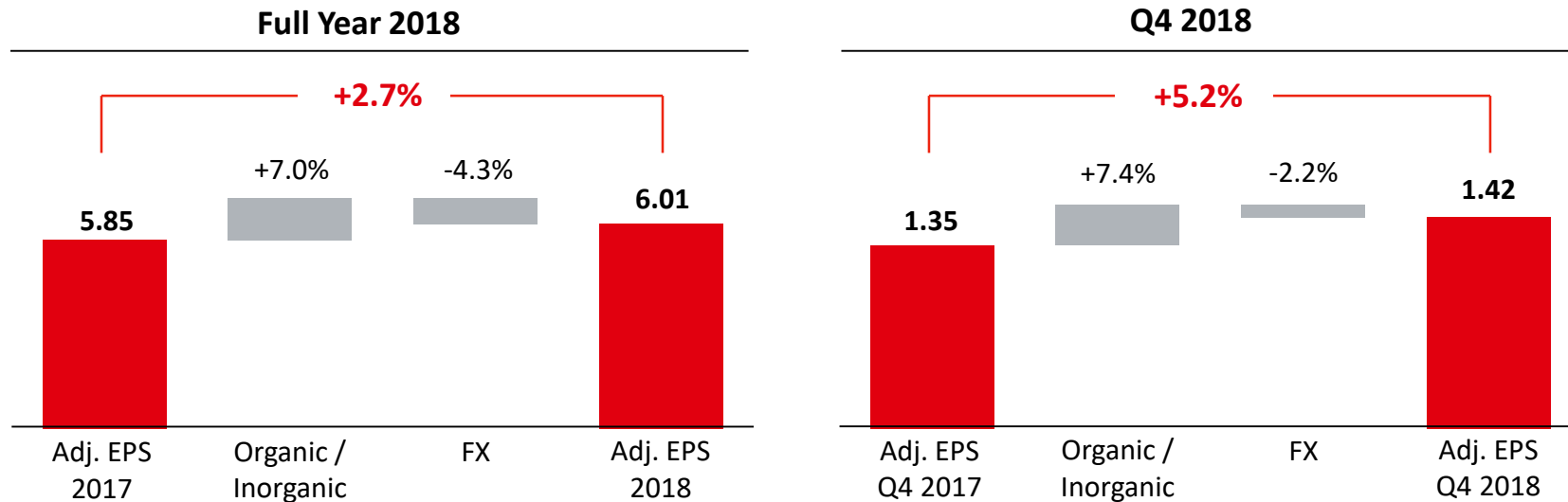


# Commitment to sustainable profitable growth

## Key Financials Q4 2018



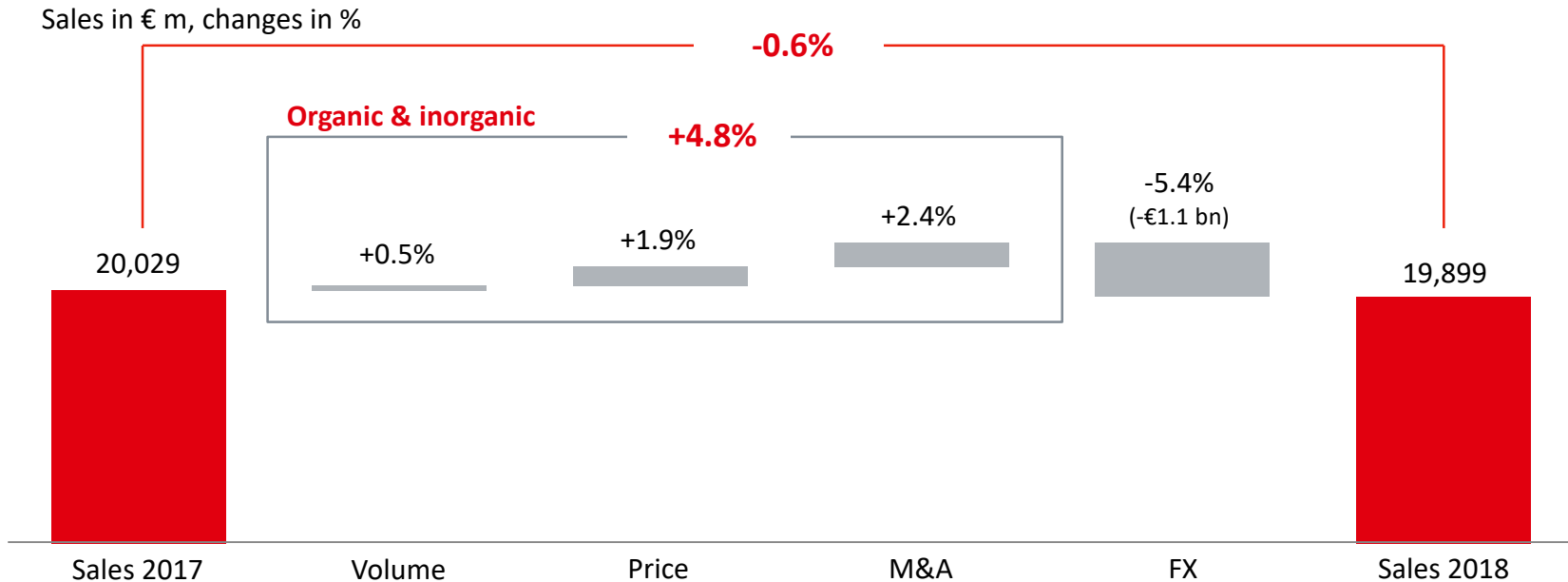
# Very strong FX-adjusted EPS growth



**Substantial headwinds from adverse FX movements throughout the year**

**Adjusted for currency effects, very strong adjusted EPS performance both in full year 2018 and Q4**

# Strong top line adversely impacted by FX



# Organic growth driven by Emerging Markets

FY 2018

## North America

**-1.0%**

€ 5,040 m (25%)

## Western Europe

**+0.3%**

€ 6,107 m (31%)

## Eastern Europe

**+7.6%**

€ 2,843 m (14%)

## Latin America

**+9.3%**

€ 1,181 m (6%)

## Africa/Middle East

**+11.3%**

€ 1,286 m (6%)

## Asia-Pacific

**+0.9%**

€ 3,314 m (17%)

**Emerging Markets: +6.3% to € 8,071 m, 40% of Group Sales**

**Mature Markets: -0.4% to € 11,700 m**

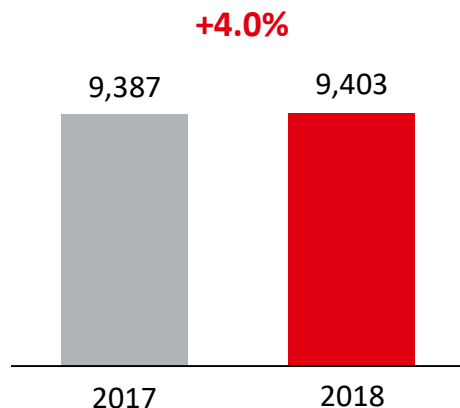
**OSG in %**  
abs. in € m  
(share of total)



# Adhesive Technologies

Strong performance driven by accelerated pricing and continued cost focus

**Sales in € m, OSG<sup>1</sup> in %**

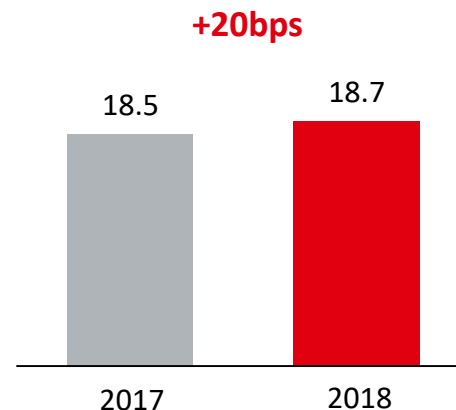


**Drivers of Performance**

**Strong organic sales growth**  
driven by all business areas and  
positive pricing and volume

**Continued margin expansion**  
thanks to accelerated pricing  
and Fund Growth initiatives  
despite strong direct material  
and currency headwinds

**EBIT Margin Adj. in %**

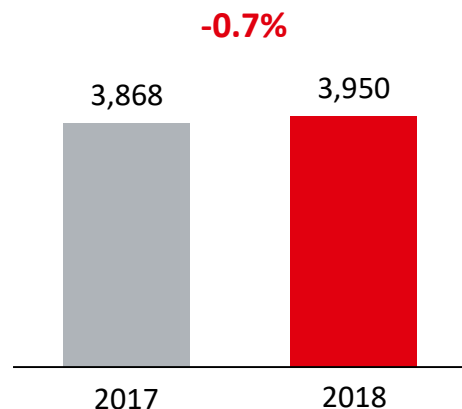


<sup>1</sup> Volume: 1.2% Price: 2.8%

# Beauty Care

Challenges in Retail in North America, very strong performance in Professional

**Sales in € m, OSG<sup>1</sup> in %**

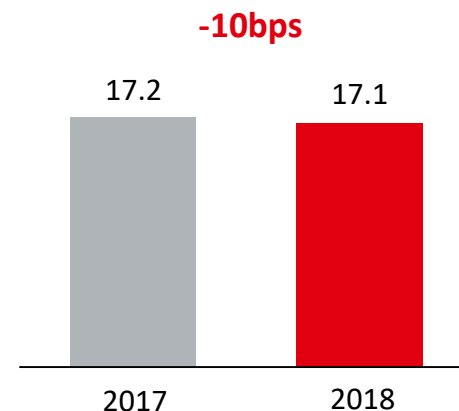


**Drivers of Performance**

**Organic sales development**  
impacted by NA retail business,  
partially compensated by very  
strong Professional and  
coloration / styling

**Stable profitability level**  
thanks to continued cost  
management focus

**EBIT Margin Adj. in %**

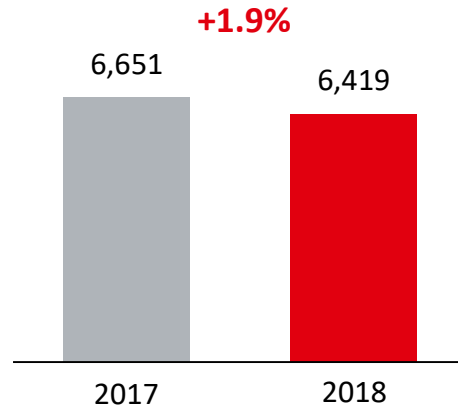


<sup>1</sup> Volume: 0.0% Price: -0.7%

# Laundry & Home Care

Good performance driven by both Laundry Care and Home Care

**Sales in € m, OSG<sup>1</sup> in %**

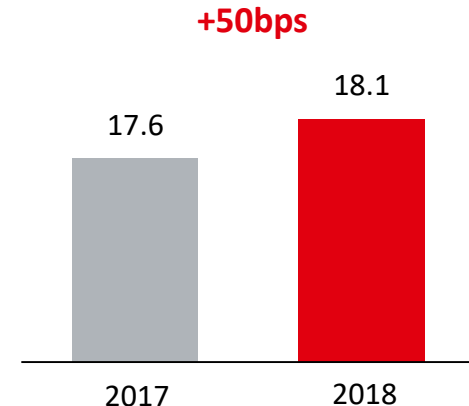


**Drivers of Performance**

**Good organic sales growth**  
driven by significant Emerging  
Market growth

**Very strong margin expansion**  
thanks to realization of  
synergies and accelerated  
pricing despite strong direct  
material and currency  
headwinds

**EBIT Margin Adj. in %**

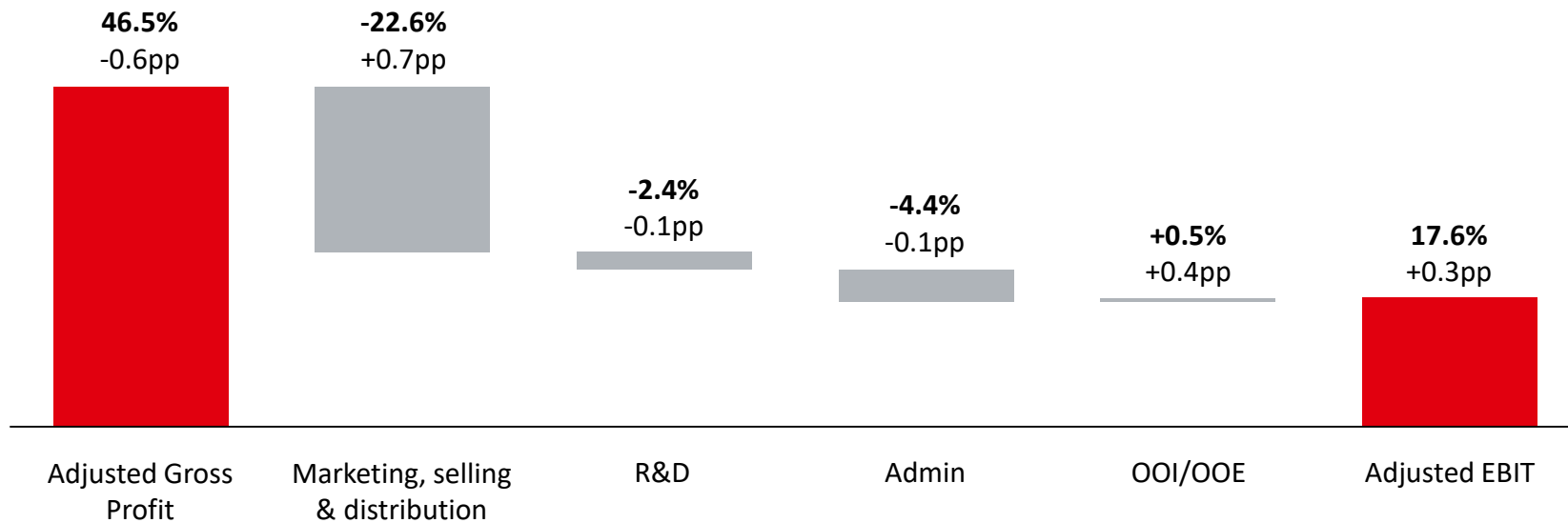


<sup>1</sup> Volume: 0.2% Price: 1.7%

# Adjusted Gross Profit to Adjusted EBIT

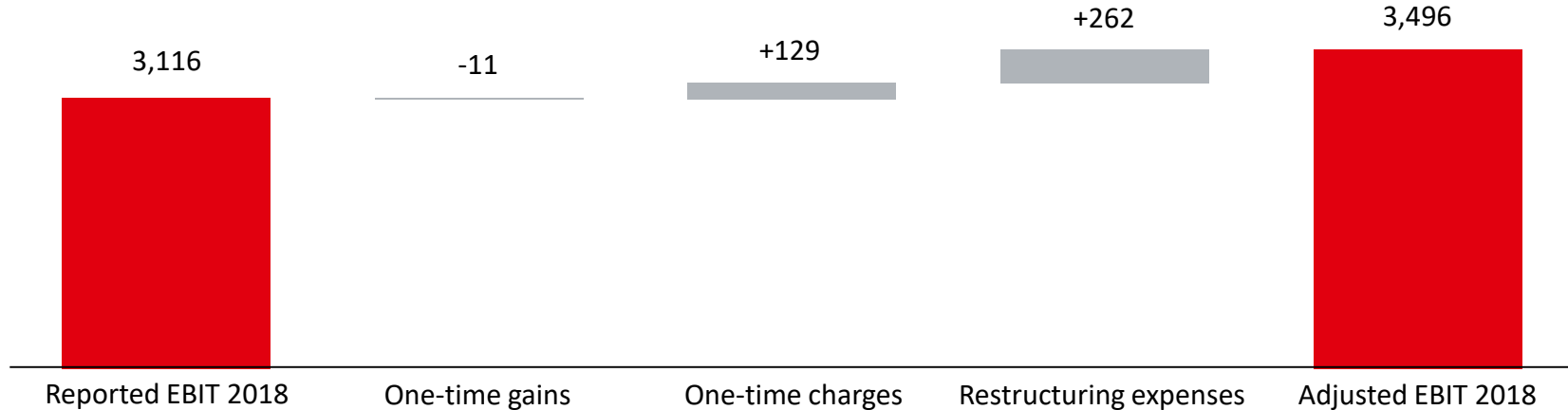
in % of sales

Impact on Adjusted EBIT Margin in pp vs. PY



# Adaptation of our structures to the market

in € m



**Focus of restructuring measures in FY 2018 on go-to-market approach and optimizing structures**  
**Restructuring expenses of € 200 – 250 m expected in FY 2019**

# Continuously strong cash management focus

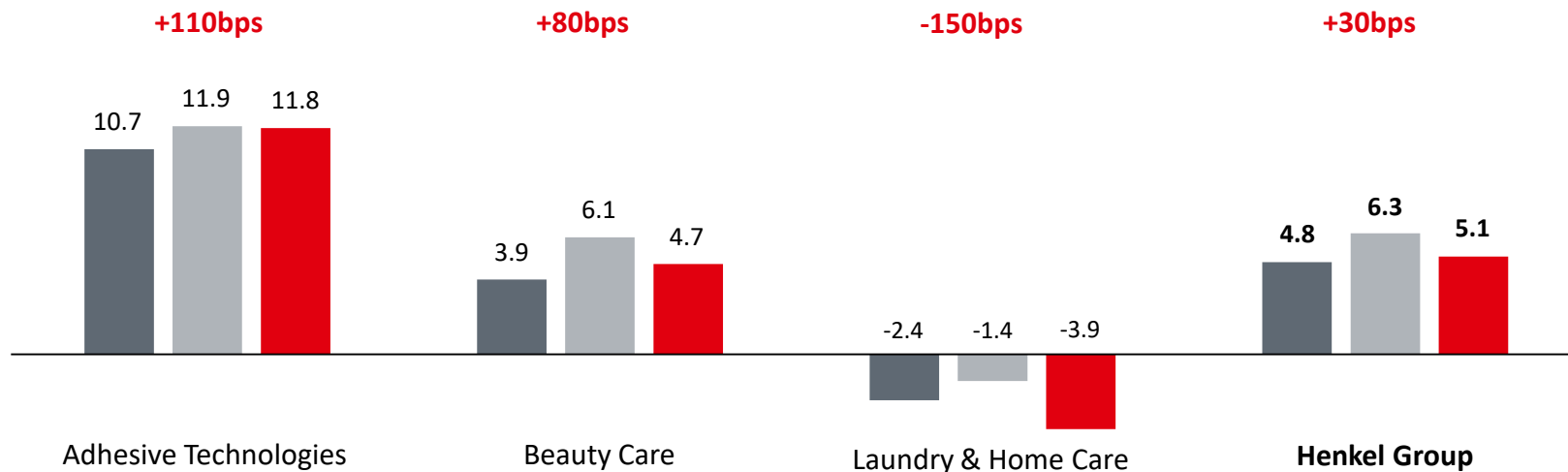
Disciplined approach to capital allocation

- Good progress in Net Working Capital management towards year-end
- Free Cash Flow improved to strong € 1.9 bn in full year 2018
- Very strong balance sheet providing substantial investment optionality
- Focused CapEx investments in all business units, particularly focusing on growth
- M&A remaining integral part of strategy, complemented by Venture Capital activities
- Continued focus on shareholder value creation – record dividend proposal of € 1.85<sup>1</sup>

<sup>1</sup> Proposal per preferred share to shareholders for the AGM on April 8, 2019

# Good progress in NWC management towards year-end

in % of sales

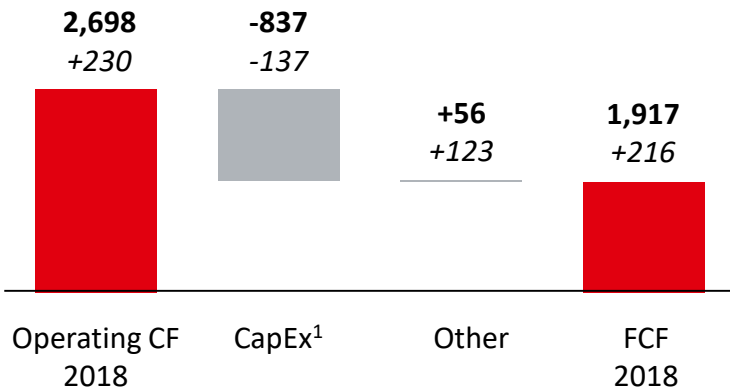


**Net Working Capital of Adhesive Technologies mainly driven by higher inventories**

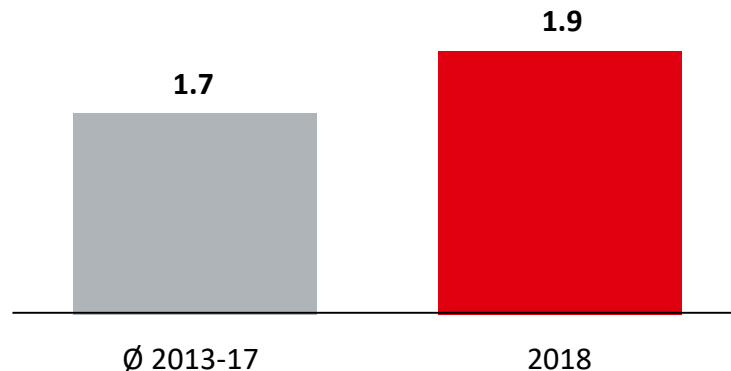
**Strong improvement in Laundry & Home Care, Beauty Care driven by portfolio effects from acquisitions**

# Strong Free Cash Flow further improved

in € m, Δ PY in € m



in € bn



**Free Cash Flow above prior-year level despite technology investment in Q1 2018**

**Continued focus on Free Cash Flow expansion as integral element of mid- to long-term financial ambition**

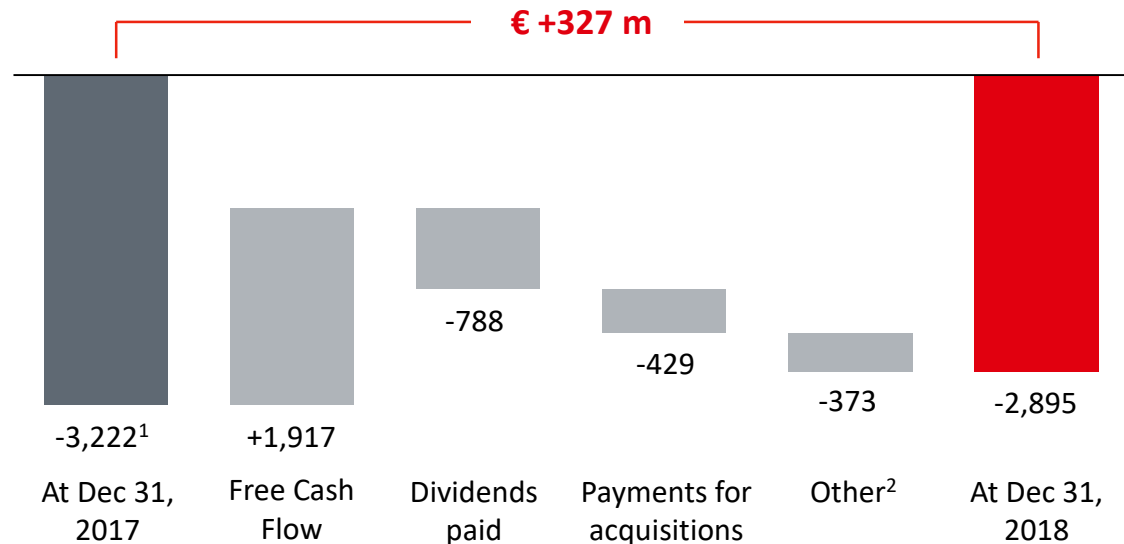
<sup>1</sup> Including payments on account



# Continuously strong balance sheet

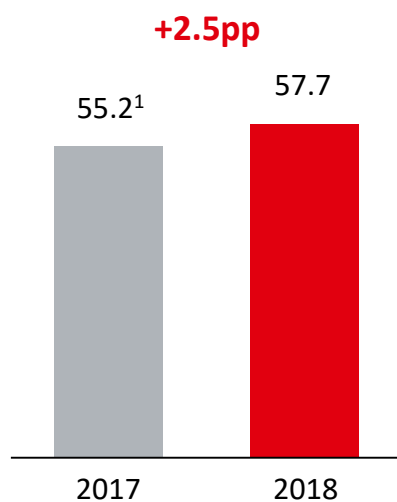
## Net financial position

in € m



## Equity Ratio

in %



<sup>1</sup> Prior-year figures amended

<sup>2</sup> Including allocations to pension funds

# Focused CapEx investments in all business units

~€ 850 m spent in 2018

- **Adhesive Technologies**

- Europe – Spain
  - New production facility for aerospace

- **Beauty Care**

- Eastern Europe – Russia
  - Capacity expansion

- **Laundry & Home Care**

- North America – USA
  - Expansion of detergent capsule production



# Acquisitions remain integral part of strategy

~€ 400 m invested in 2018

- **Adhesive Technologies**

Expanded footprint in Emerging Markets



- **Beauty Care**

Successfully integrated Hair Professional acquisitions

**JEMPAK**

- **Laundry & Home Care**

Position in North America further strengthened



- **Venture Capital**

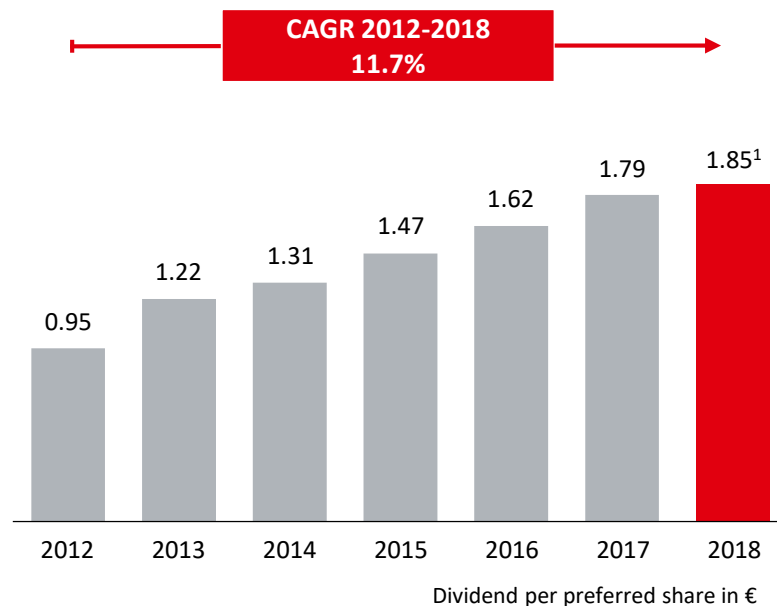
Strengthening digital and technological expertise by investments in start-ups and VC funds



# Strong track record of increasing dividend

~€ 800 m distributed in 2018

- Record dividend proposal of € 1.85<sup>1</sup> per preferred share
- 30.9% payout ratio in line with target range
- More than € 4 bn paid out since 2012 via dividends
- Increase of target dividend payout range from 25 - 35% to 30 - 40% from fiscal 2019



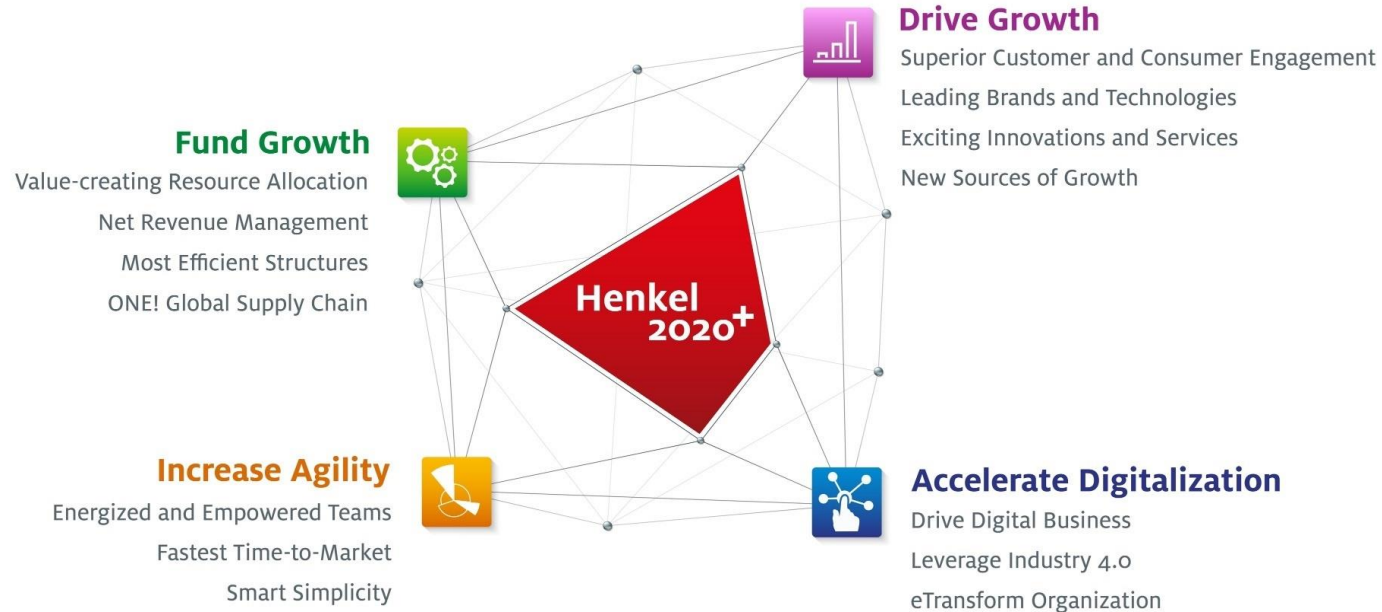
<sup>1</sup> Proposal to shareholders for the AGM on April 8, 2019

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# Henkel 2020<sup>+</sup>

Continued strong progress in the implementation of our strategic priorities



# Drive growth, accelerate digitalization

- Outperform by leveraging scale and breadth of the **Adhesive Technologies** portfolio
- Accelerate growth in **Beauty Care** Retail, continue momentum in Professional
- Leverage strong innovation program in **Laundry & Home Care**
- Advance to next level of **digitalization**



# Drive growth in Adhesive Technologies

Focus on future growth trends

- **Mobility: Enabler of industry transformation**  
Alternative Drives – Autonomous Driving – Lightweight
- **Connectivity: New functions & designs required**  
Mobile Devices – Internet of Things – Digital Infrastructure
- **Sustainability: Drive change along the value chain**  
Renewable Feedstock – Efficient Production – Circular Economy



# Drive growth in Beauty Care

- **Drive superior growth in Hair**

Holistic innovation plan across all Hair segments addressing key trends and target groups

- **Back to growth in North America**

Targeted growth plan with strong initiatives in Body Care and Hair Coloration

- **Continue to outperform in Professional**

Sustain very strong growth momentum

# Drive superior growth in Hair

Selection of innovations with launch in H1 2019

## Schauma – relaunch of biggest family brand



Vegan formulas with micronutrients,  
no silicones and parabens

## Nature Box – rollout in new markets



100% natural cold pressed oils,  
'free-from' formulas

## OnlyLove – launch of new brand



Eco-certified formula –  
no ammonia, silicone and alcohol

# Back to growth in North America

Selection of innovations with launch in H1 2019

## Dial – strong line extensions



Strong new lines in moisturizing body wash and antibacterial handwash

## Keratin Color – strong new subline



Launch new Keratin Color variants for multi-ethnic target groups

## got2b – expansion into new categories



New trend color offerings and extension of male line in hair care

# Continue to outperform in Professional

Selection of innovations with launch in H1 2019

## Authentic Beauty Concept – launch of premium brand



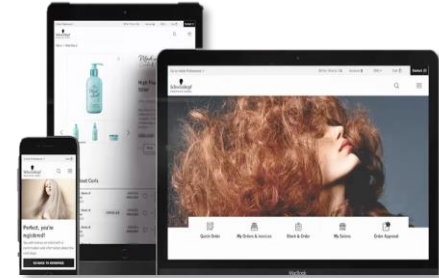
Creation of new premium  
vegan OTC brand with pure  
recognizable ingredients

## IGORA Vibrance – global relaunch



Leveraging technology leadership in  
Hair Coloration

## Launch new B2B eShop



Driving sales via convenience  
and end-to-end customer  
experiences

# Drive growth in Laundry & Home Care

- **Innovation offensive for leading megabrand Persil**

Accelerate market share gains with cutting-edge and exclusive technologies

- **Turn around North America**

Strong innovations, caps initiatives and brand relaunches for new growth momentum

- **Expand Home Care to strengthen profitable growth**

Leveraging blockbuster brands and key trends

# Relaunch of leading megabrand Persil

Selection of innovations with launch in H1 2019

## Persil Deep Clean – global relaunch



New cutting-edge Deep Clean  
Technology with exclusive  
advanced enzyme mix

## Persil DISCS – launch of 4-chamber caps



Patented technology and  
unique enzyme blend for  
superior performance

## eCommerce offensive



Formula and packaging innovations  
with up to 2x concentrated formulas,  
SIOCs<sup>1</sup> for optimized logistics

# Turn around North America

Selection of innovations with launch in H1 2019

**Caps offensive – win in fast growing segment**

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Strong caps initiatives across all price tiers: premium, mid-tier and value-for-money

**'all relaunch – boost growth of largest US brand**

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New advanced formulas leveraging global technology expertise for #1 sensitive skin brand

**Snugglescent Shakes – US market launch**

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Entry in premium fragrance segment with leading fabric finisher brand

# Expand Home Care to strengthen profitable growth

Selection of innovations with launch in H1 2019

## Somat All-in-1 Gel – launch of next generation



Strengthen leadership in the  
fast growing gel segment

## Bref DeLuxe – line extension



New premium line with new  
premium DeLuxe scents

## Pro Nature – new product lines



Eco-certified formulas and  
sustainable plastic strategy



# Drive growth, accelerate digitalization

- Stepping up investments in brands, technologies, innovations and key markets
- Accelerating top-line growth with focus on consumer goods businesses
- Driving the digital transformation across the entire company
- Full focus on rigorous execution

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# Henkel with good development in 2018

Driven by strong global team

- Good organic sales growth with nominal sales of around € 20 bn
- Profitability and earnings improved in a challenging environment, supported by Fund Growth initiatives and synergies
- Strong Free Cash Flow and Balance Sheet, continued focus on shareholder value creation



# 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



# 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

# Current market environment

Mixed market dynamics with ongoing negative effects 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

# Guidance 2019

	<b>Henkel Group</b>	
Organic Sales Growth	<b>2 - 4%</b> All Business Units within Group range	
Adjusted EBIT Margin	<b>Henkel Group</b>	<b>16 - 17%</b>
	Adhesive Technologies	18 - 19%
	Beauty Care	15 - 16%
	Laundry & Home Care	16.5 - 17.5%
Adjusted EPS (constant currencies)	<b>Mid single digit % below PY</b>	

# 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



Q&A

# Key points you heard from us today

- Henkel with good performance in 2018
- Clear business priorities for fiscal 2019 to reinforce growth momentum
- Outlook for 2019 reflecting higher growth investments while maintaining high cost discipline
- Committed to long-term sustainable value creation and attractive returns



# Upcoming Events

- April 8, 2019                      Annual General Meeting
- May 7, 2019                        Q1 2019 Earnings Release
- July 2, 2019                        Investor & Analyst Day Adhesive Technologies
- August 13, 2019                    Q2 2019 Earnings Release
- November 14, 2019                Q3 2019 Earnings Release &  
Investor & Analyst Day Consumer Businesses

Thank You

# FY 2019: Additional input for selected KPIs

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

# Broad-based FX headwinds in full year 2018

## Top 10 non-€ countries<sup>1</sup>, FY FX development<sup>2</sup>



<sup>1</sup> in order of 2018 group revenue share

<sup>2</sup> vs. Euro; FY 2018 avg. exchange rate vs. PY (Source: ECB), depreciation in red, appreciation in green

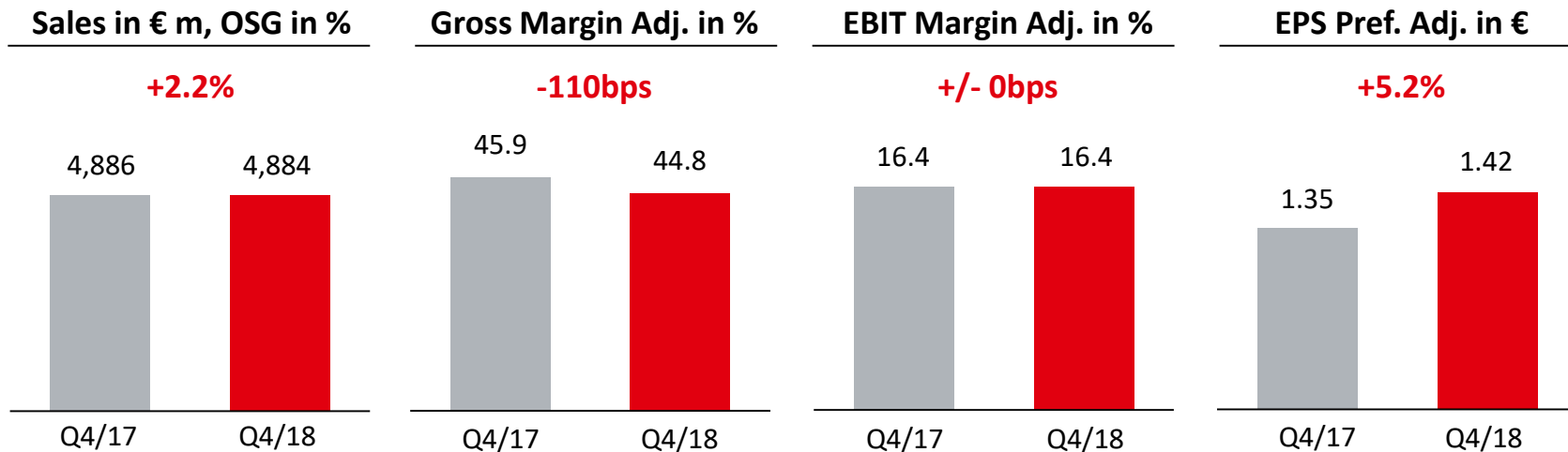
## Key developments

- Currency headwinds of ~€ 1.1 bn (-5.4%) on top-line in full year 2018
- All of Henkel's top 10 non-€ currencies depreciated vs. the Euro
- Key Emerging Market currencies with high volatility and negative impact on results
- US-Dollar also posed headwind in full year, despite turning to a slight tailwind from Q3

# Key Financials Q4 2018

# Q4 2018 Key Financials

Good organic growth and stable margin despite continued headwinds



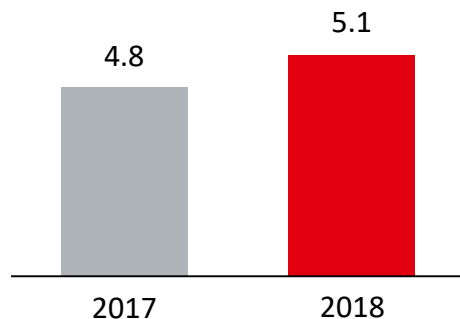


# Q4 2018 Key Financials

Focus on disciplined cash management

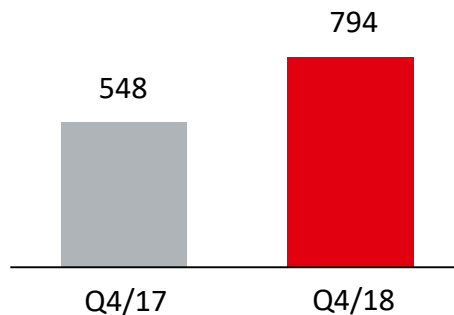
## NWC in % of Sales

**+30bps**



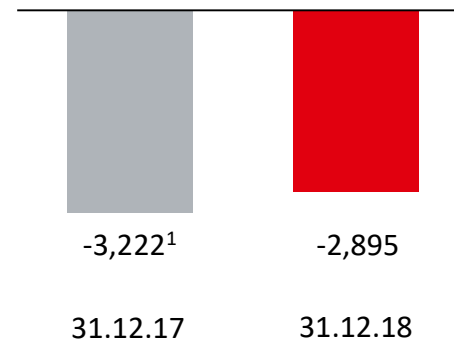
## Free Cash Flow in € m

**€ + 246 m**



## Net Financial Position in € m

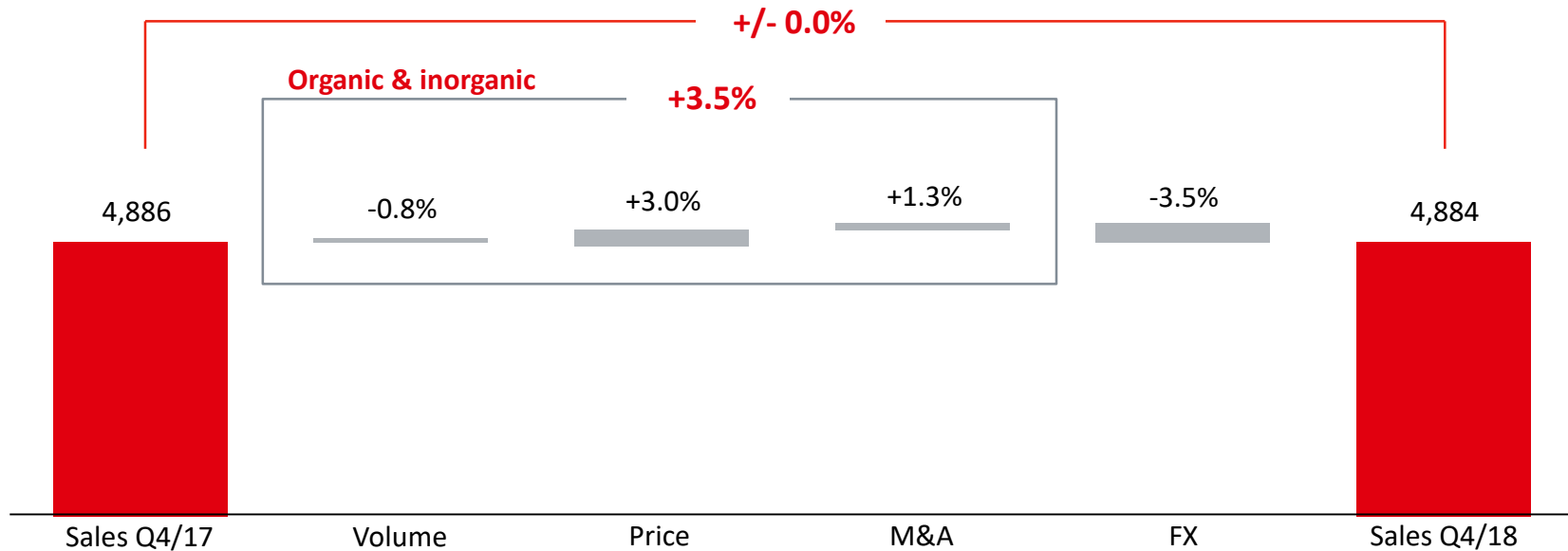
**€ + 327 m**



<sup>1</sup>Prior-year figures amended

# Topline growth impacted by currencies

Sales in € m, changes in %



# Emerging Markets driving growth

Q4/2018

