

Henkel Q1 2019

Hans Van Bylen, Carsten Knobel
Düsseldorf, May 7, 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.

Agenda

1. Key Developments Q1 2019
2. Financials Q1 2019
3. Outlook FY 2019 & Summary

Challenging macroeconomic environment

Q1 2019

Slower industrial production growth

IPX weakening with some industry segments negative

Slight currency tailwind

Stronger USD, but pressure from key Emerging Market currencies persists

HPC markets mixed

Competitive environment remains intense, especially in Western Europe

Commodity inflation

Continued direct material price pressure in uncertain and volatile markets

Key developments in Q1 2019

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT %</u>	<u>Adjusted EPS Growth¹</u>
€ 5.0 bn	+0.7%	€ 795 m	16.0%	-6.3%

- Nominal sales up 2.8% to € 5 bn, supported by positive currency and M&A effects
- Good performance of Laundry & Home Care
- Beauty Care with weak start into the year
- Adhesive Technologies affected by slow-down of some industry segments
- Adj. EBIT Margin impacted by direct material price pressure, transactional currency effects and investments
- Adj. EPS below previous year, down mid-single-digit % at constant currencies

¹ At constant currencies

Adhesive Technologies

Key Performance Indicators Q1 2019

Sales

€ 2.3 bn

Organic Growth

-0.8%

Adjusted EBIT

€ 388 m

Adjusted EBIT Margin

16.8%

LOCTITE

TECHNOMELT

TEROSON

Adhesive Technologies

Highlights Q1 2019

- **Food and Beverage**

Very strong growth with safe and sustainable portfolio for the food industry

- **Aerospace**

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

- **Metal Packaging**

Very strong growth with high-impact solutions for manufacturers of metal cans



Beauty Care

Key Performance Indicators Q1 2019

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT Margin</u>
€ 1.0 bn	-2.2%	€ 144 m	15.0%

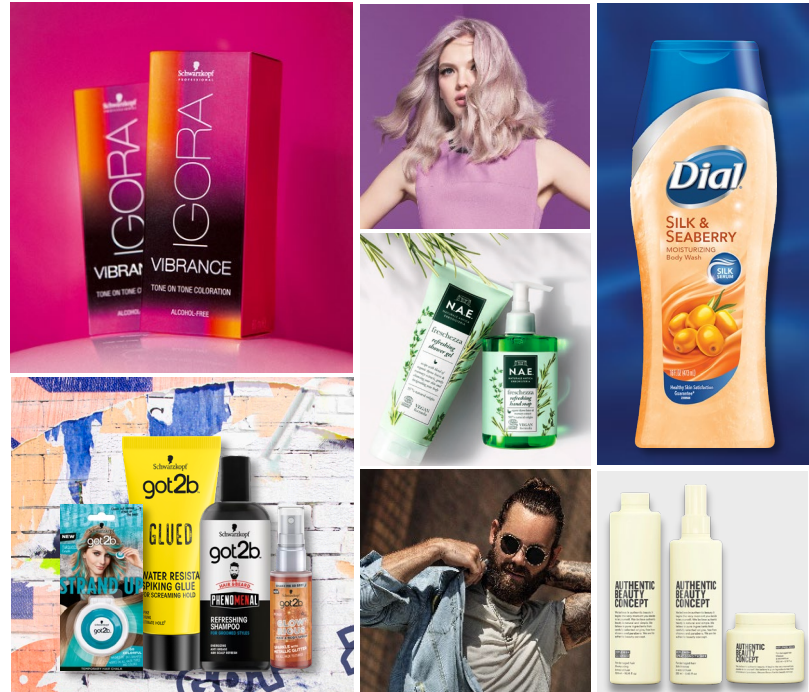


syoss

Beauty Care

Highlights Q1 2019

- **Hair Professional**
Continued strong growth momentum across Mature and Emerging Markets
- **Body Care**
Strong growth mainly driven by core Dial brand in North America
- **got2b Offensive**
Double-digit growth due to successful base and incremental business



Laundry & Home Care

Key Performance Indicators Q1 2019

Sales

€ 1.7 bn

Organic Growth

+4.7%

Adjusted EBIT

€ 286 m

Adjusted EBIT Margin

17.1%

Persil



Bref

Laundry & Home Care

Highlights Q1 2019

- **Leading Premium Detergents**

Significant growth driven by the core portfolio and strong innovations

- **Automatic Dishwashing**

Very strong growth coming from successful global innovations and strong local activation

- **Middle East / Africa**

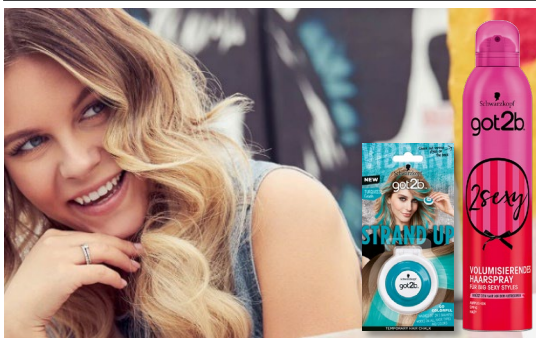
Double-digit growth thanks to continuous momentum of entire laundry as well as home care business



Drive growth, accelerate digitalization

Status of Growth Initiatives

Beauty Care



- Core brands with first product activities addressing key consumer needs
- Innovations dedicated to growth areas North America, Hair and Professional

Laundry & Home Care



- Start of growth initiatives with major relaunches & format innovations
- Clear focus on top priorities North America, Persil and Home Care

Digitalization



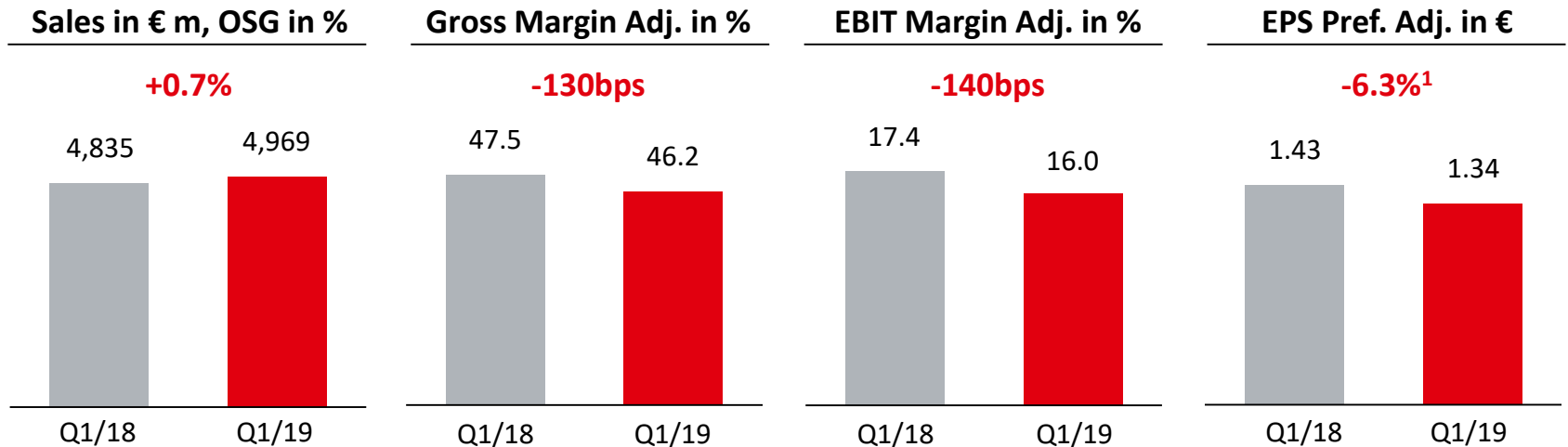
- Investments in data analytics, digital-ready infrastructure and cyber security
- Increasing activities in customer & consumer interaction and e-commerce

Agenda

1. Key Developments Q1 2019
2. **Financials Q1 2019**
3. Outlook FY 2019 & Summary

Key performance indicators

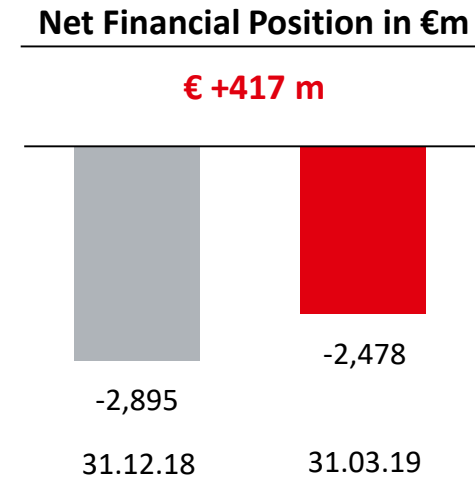
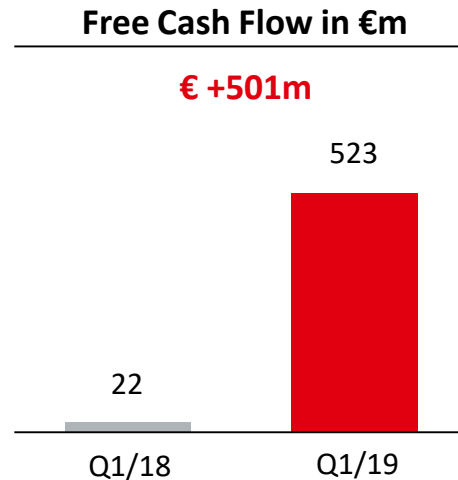
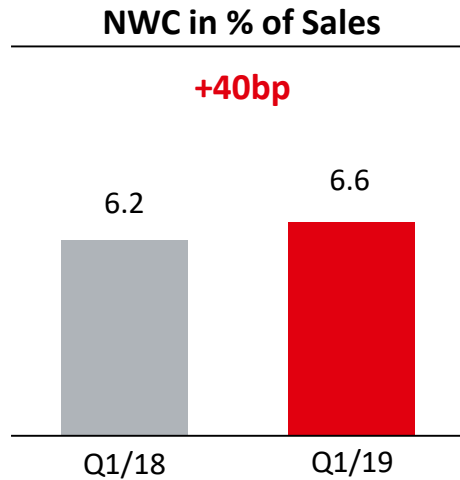
Q1 2019



¹ At constant currencies

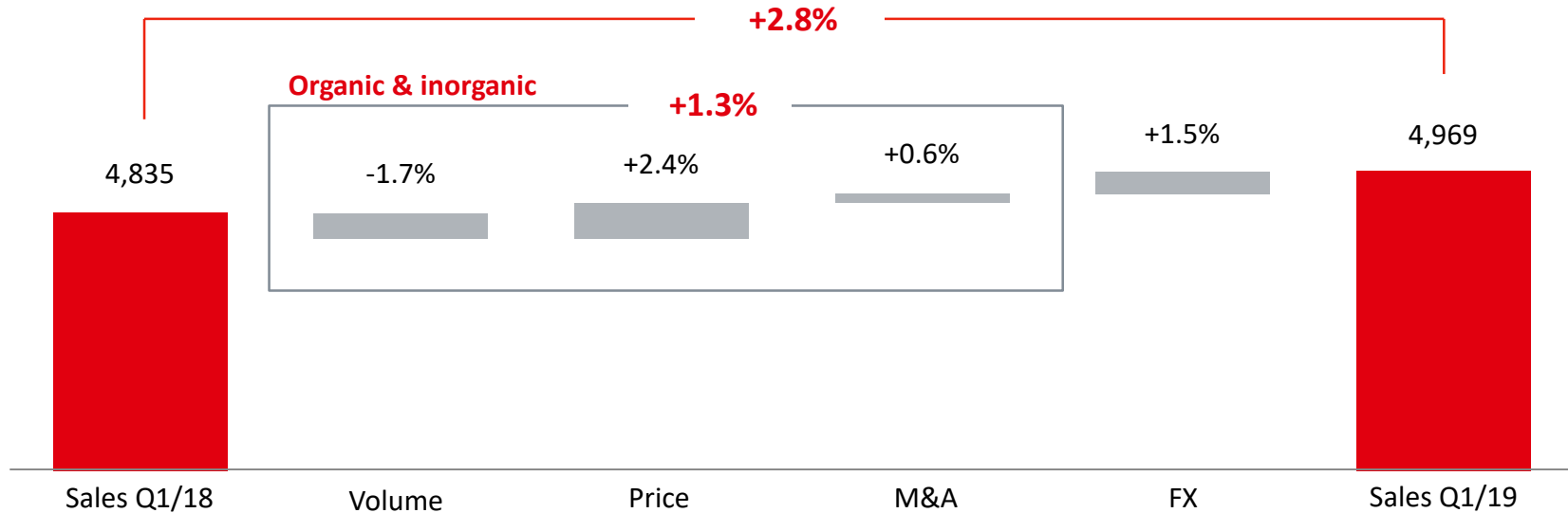
Focus on disciplined cash management

Key Financials Q1 2019



Positive top line supported by FX and M&A

Sales in € m, changes in %



Organic sales development by region

Q1 2019

North America

+1.1%

€ 1,266 m (25%)

Western Europe

-1.3%

€ 1,569 m (32%)

Eastern Europe

+6.5%

€ 693 m (14%)

Latin America

+8.0%

€ 320 m (6%)

Africa/Middle East

+13.5%

€ 335 m (7%)

Asia-Pacific

-8.8%

€ 754 m (15%)

Emerging Markets: +2.2% to € 1,968 m, 40% of Group Sales

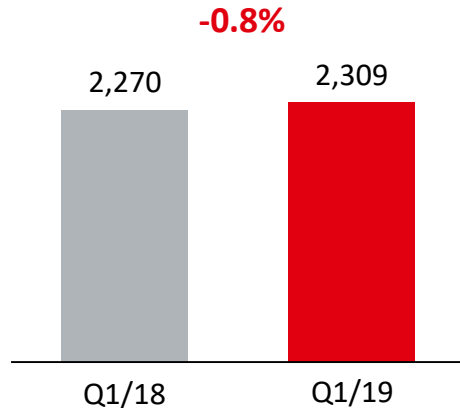
Mature Markets: -0.4% to € 2,969 m

OSG in %
abs. in € m
(share of total)

Adhesive Technologies

Key Financials Q1 2019

Sales in € m, OSG¹ in %

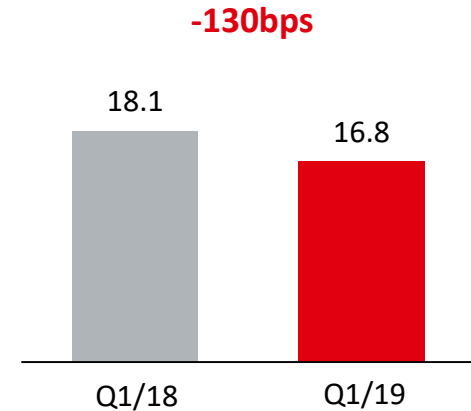


Drivers of Performance

Organic sales development
impacted by weak Automotive and Electronics in Asia Pacific and North America, supported by strong pricing

EBIT margin below prior year
due to negative volume / mix effects; direct material headwinds compensated by pricing and cost efficiency initiatives

EBIT Margin Adj. in %

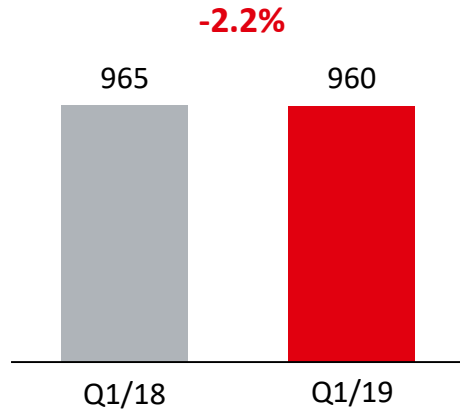


¹ Volume: -3.7% Price: 2.9%

Beauty Care

Key Financials Q1 2019

Sales in € m, OSG¹ in %

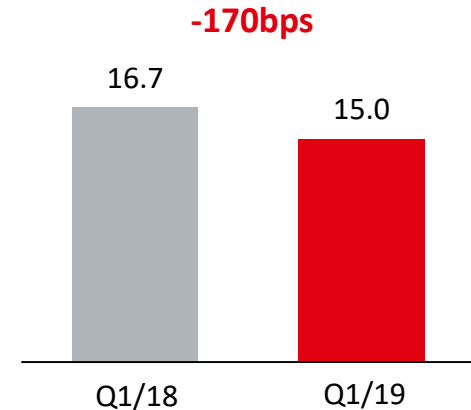


Drivers of Performance

Organic sales development
impacted by Western Europe and destocking in China, North America recovering, Professional strong

Profitability impacted
by continued direct material price pressure and negative volume effects, partially compensated by cost efficiency initiatives

EBIT Margin Adj. in %

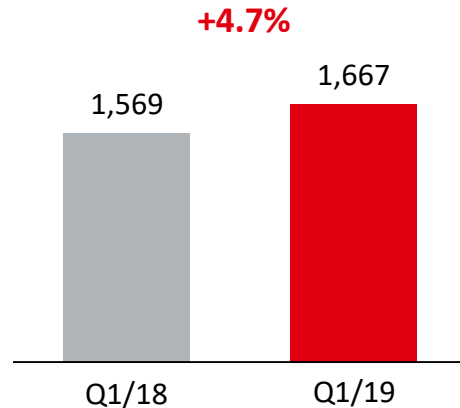


¹ Volume: -2.0% Price: -0.2%

Laundry & Home Care

Key Financials Q1 2019

Sales in € m, OSG¹ in %

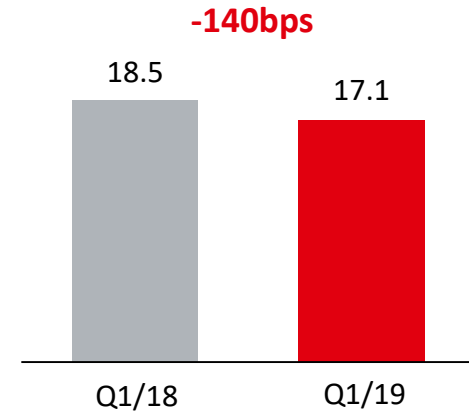


Drivers of Performance

Very strong organic sales growth driven by significant Emerging Markets growth and very strong North America growth

EBIT margin below previous year adversely impacted by continued direct material and EM currency headwinds, support from cost efficiency initiatives

EBIT Margin Adj. in %

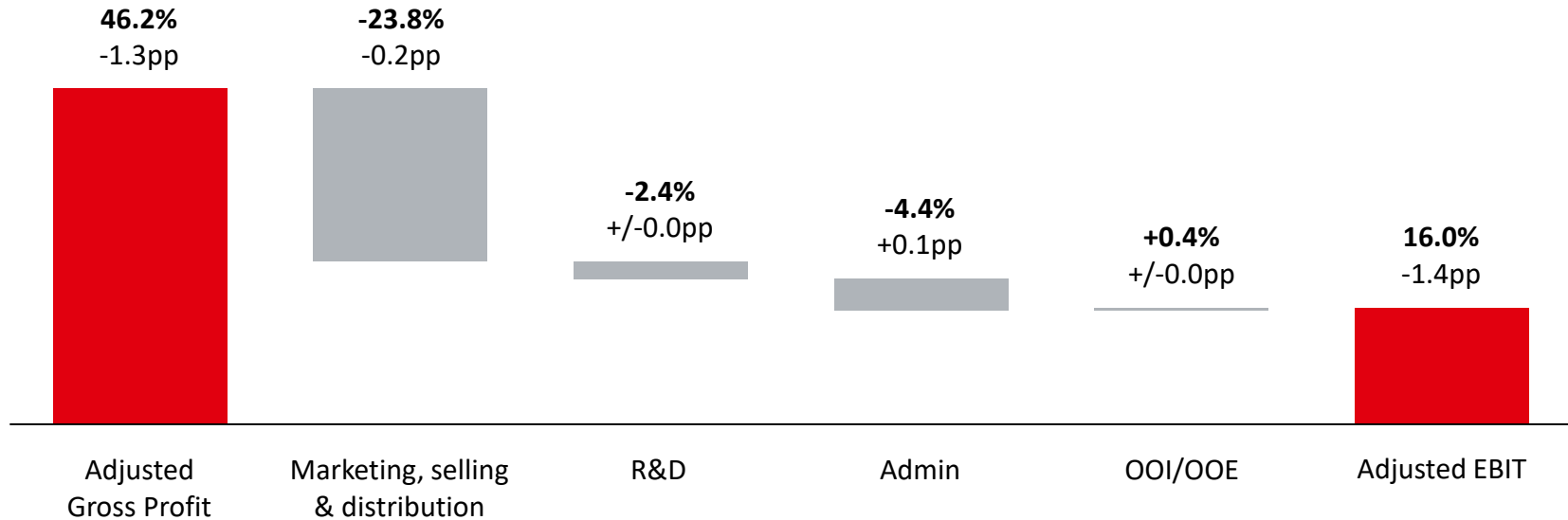


¹ Volume: 1.4% Price: 3.3%

Adjusted Gross Profit to Adjusted EBIT

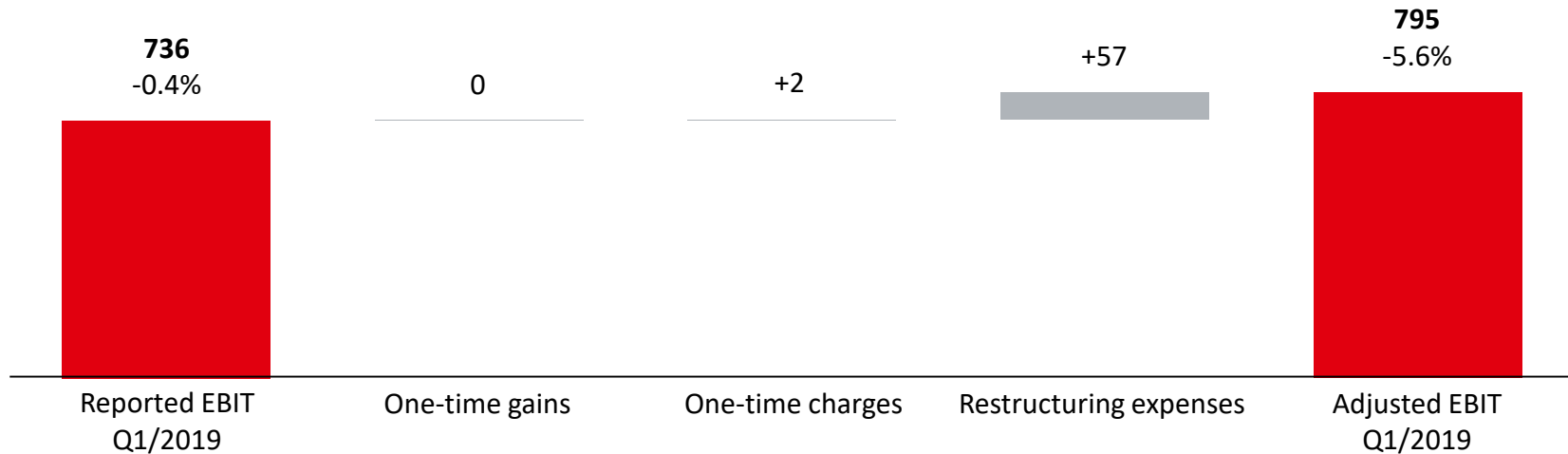
in % of sales

Impact on Adjusted EBIT Margin in pp vs. PY



Adaptation of our structures to the market

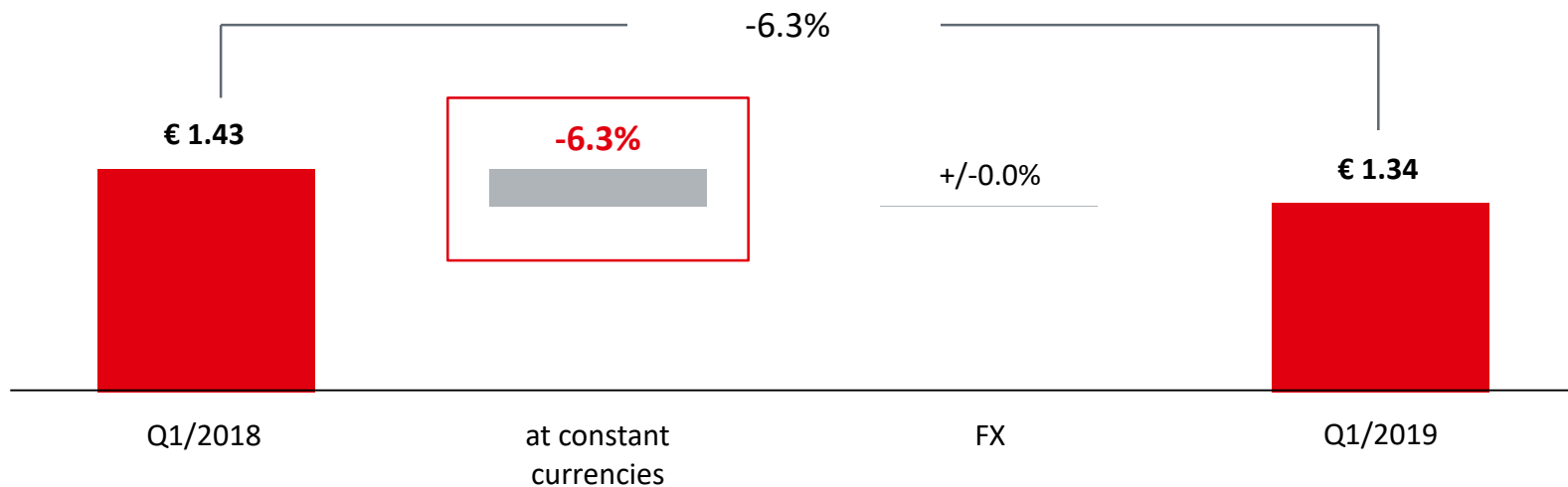
in € m, change in %



Focus of restructuring measures in Q1 2019 on adapting go-to-market approach and optimizing structures
Restructuring expenses of € 200 – 250 m expected in FY 2019

Adjusted EPS development ¹

Q1 2019

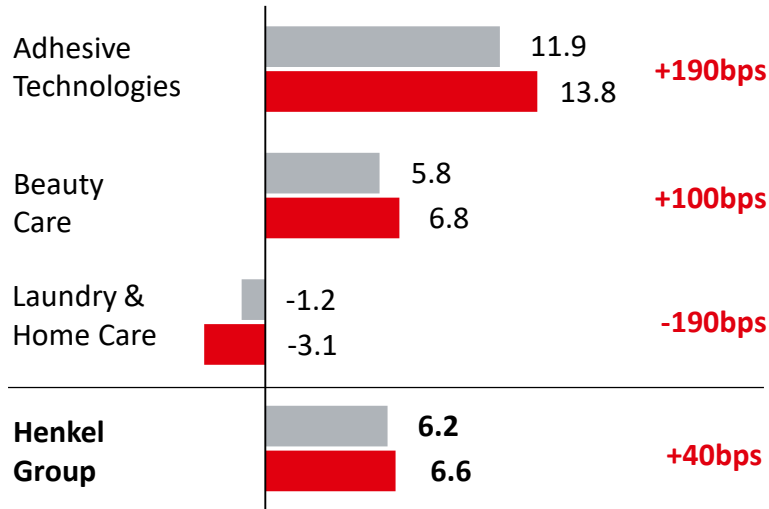


Adjusted EPS in Q1 mid-single-digit % below prior year both nominally and at constant currencies

¹ per preferred share

Net Working Capital above prior year

in % of sales

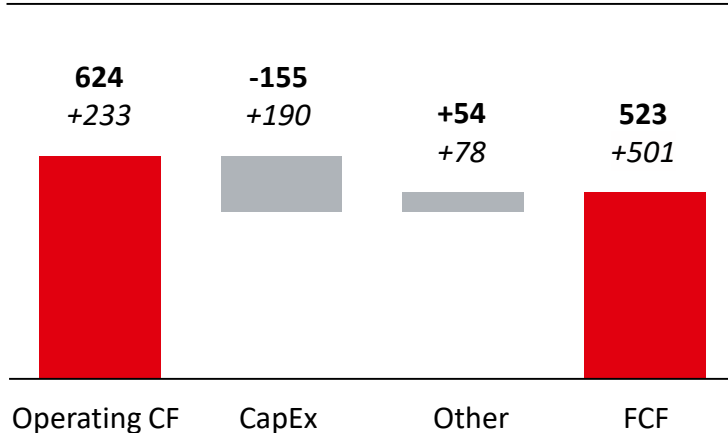


■ Q1 2018 ■ Q1 2019

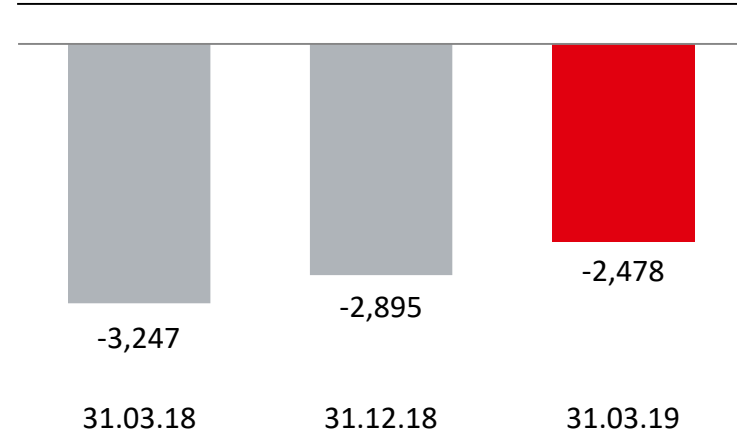
- Effects from weaker demand in key customer segments and M&A in Adhesive Technologies
- Increase in Beauty Care driven by higher inventories from lower volumes and mix
- Strong improvement in Laundry & Home Care thanks to positive trend in inventories and receivables

Strong Free Cash Flow generation

Free Cash Flow in €m, Δ PY in €m



Net Financial Position in €m



Strongly improved Free Cash Flow driven by higher Operating Cash Flow and lower CapEx
Continuously strong balance sheet and further improvement of Net Financial Position

New IFRS 16 Leases Standard

P&L impact from first-time application

	Impact on Q1/19 results	Estimated Full Year 2019 impact
Sales	No impact	No impact
Operating expense	+€37 m	Low triple-digit €m decrease
EBITDA	+€37 m	Low triple-digit €m increase
D&A	-€33 m	Low triple-digit €m increase
Operating profit (EBIT)	+€4 m	High single-digit to low double-digit €m increase
EBIT Margin	No material impact	No material impact
Financial result	-€4 m	High single-digit to low double-digit €m decrease
Net income	No material impact	No material impact

Agenda

1. Key Developments Q1 2019
2. Financials Q1 2019
3. **Outlook FY 2019 & Summary**

Guidance 2019 confirmed

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

Business Priorities 2019

- Return to growth in Adhesive Technologies
- Build on good start of Laundry & Home Care executing strong innovation strategy
- Reinforce growth in Beauty Care Retail, continue outperformance in Professional
- Continue to drive digitalization in all aspects
- Strong focus on cost discipline, driving efficiency and adapting structures
- Implement extra measures to improve Working Capital; expand Free Cash Flow
- Enhance value proposition of portfolio organically and via acquisitions

Q&A

Key points you heard from us today

- Henkel with positive top-line growth in a difficult market environment
- Adj. EBIT margin and EPS within the corridor of the full year guidance
- Outlook for 2019 confirmed
- Strong cash management and balance sheet
- Full focus on reinforcing growth momentum



Upcoming Events

- July 02, 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
- March 05, 2020 FY 2019 Earnings Release
- April 20, 2020 Annual General Meeting

Thank You

FY 2019: Additional input for selected KPIs

Currency Impact on Sales	Low single digit % negative ¹
Prices for Direct Materials	Low single digit % increase ¹
Restructuring Charges	€ 200 - 250 m
CapEx	€ 750 - 850 m

¹ versus the prior year