

Henkel Annual Results Press Conference FY 2018

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Agenda

1. Introduction
2. Financials FY 2018
3. Progress in Sustainability
4. Update Henkel 2020+ and Financial Ambition

Key points today

- 2018 was a successful year – despite challenging environment
- Good progress in implementation of strategic priorities 2020+
- Higher investments in brands, technologies, innovations and digitalization
- We pursue very ambitious targets
- Well-positioned to deliver sustainable profitable growth and attractive returns
- Leading position in sustainability

Good development in 2018

Sales

€ 19.9 bn

Adjusted* EBIT

€ 3.5 bn

Adjusted* EPS

€ 6.01
+2.7 % (+7 %**)

Organic Growth

2.4 %

Adjusted* EBIT Margin

17.6 %

Free Cash Flow

€ 1.9 bn

* Adjusted for one-time charges/gains and restructuring charges

** At constant currencies

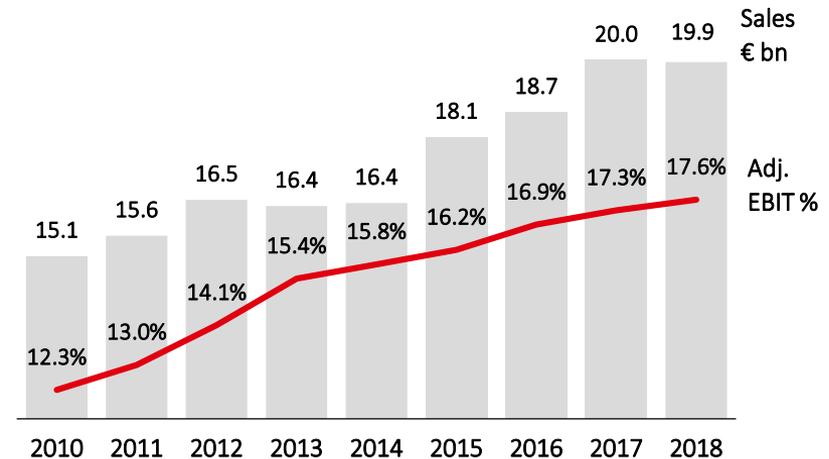
Strong and consistent long-term performance

Step-change in sales and profitability

Attractive portfolio of three business units

- Adhesive Technologies – global market leader with comprehensive portfolio
- 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



We pursue ambitious strategic targets

- Generate profitable growth and attractive returns
- Become more customer-focused, innovative and agile
- Foster digital transformation
- Promote sustainability across the entire value chain
- Advance our portfolio with value-adding acquisitions



We invest in the future

- CapEx investments and R&D expenditures on constant high level
- Increased additional growth investments
- 2019: important step for sustainable profitable growth
- Sustainable profitable growth and attractive returns

Leading in sustainability

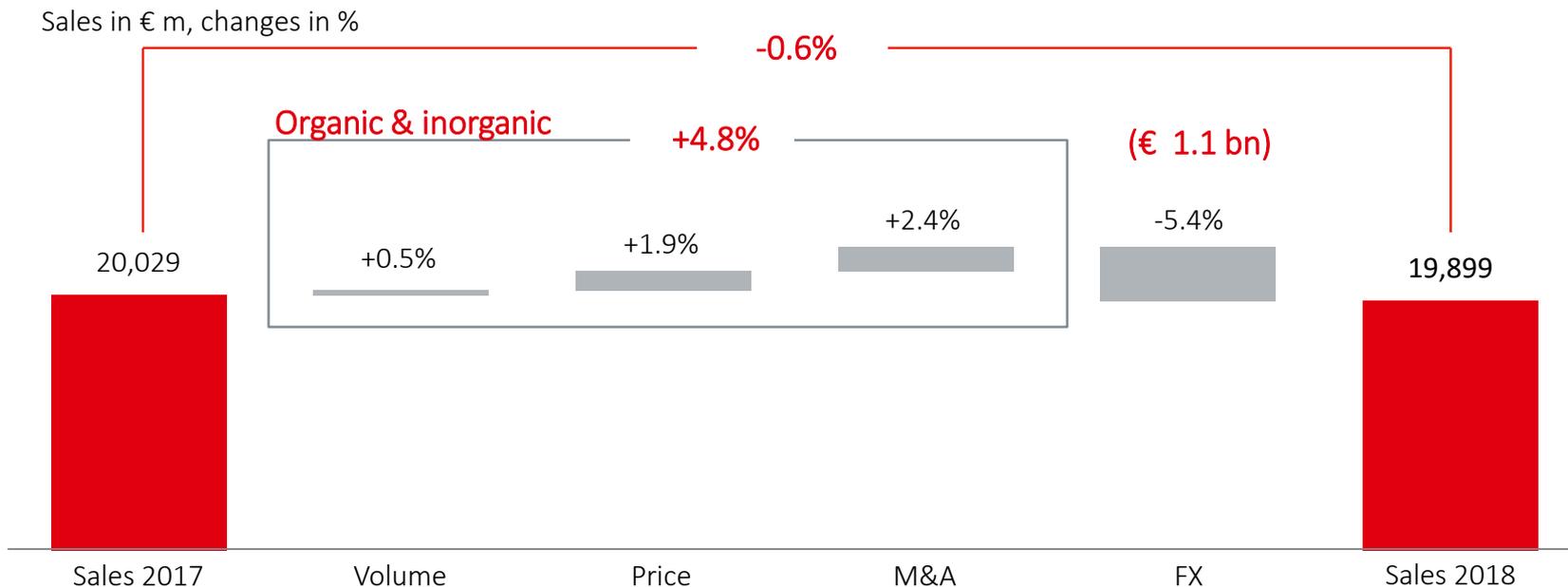
- Focus on resource efficiency
- Active contribution to climate protection through reduced CO₂ footprint
- Ambitious targets for plastic and packaging
- International alliances and partnerships
- Leading positions in sustainability ratings



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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 profitable growth across all business areas

Sales

€ 9.4 bn

Organic Growth

+4.0%

Adjusted EBIT

€ 1.8 bn

Adjusted EBIT Margin

18.7%

LOCTITE

TECHNOMELT

TEROSON

Beauty Care

Challenges in Retail in Mature Markets, 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

Laundry & Home Care

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

<u>Sales</u>	<u>Organic Growth</u>	<u>Adjusted EBIT</u>	<u>Adjusted EBIT Margin</u>
€ 6.4 bn	+1.9%	€ 1.2 bn	18.1%

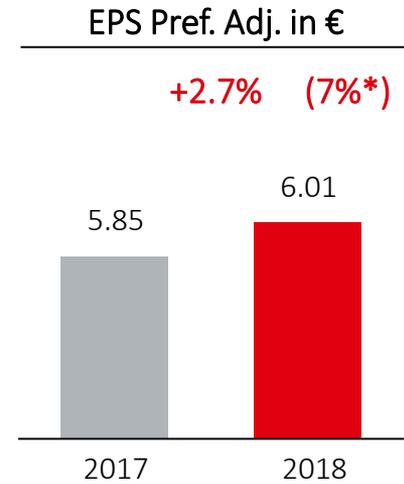
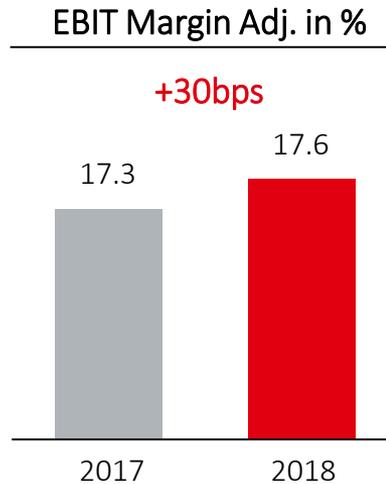
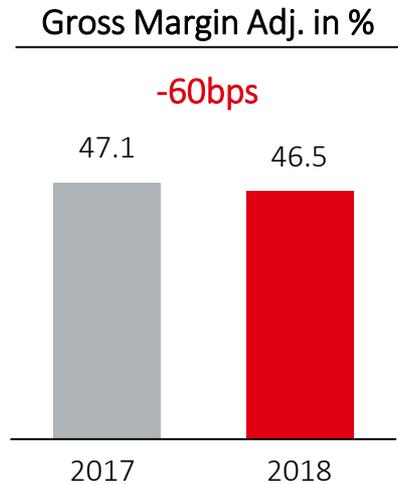
Persil



Bref

Sustainable profitable growth

Key Financials FY 2018



* At constant currencies

Continuously strong cash management focus

Disciplined approach to capital allocation

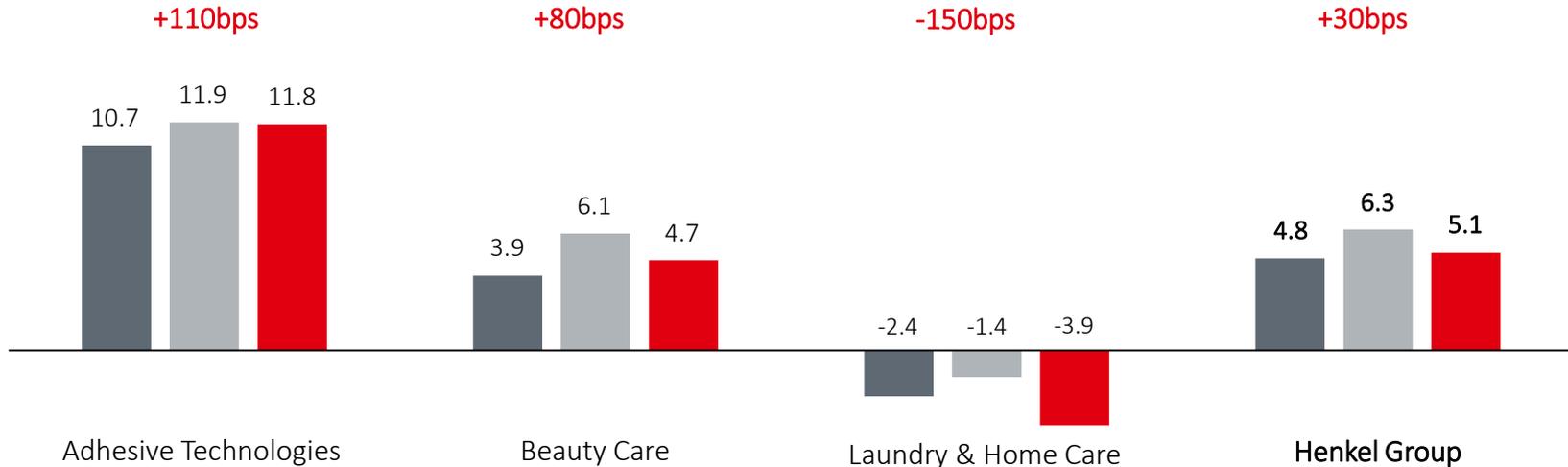
- Good progress in Net Working Capital management towards year-end
- Free Cash Flow improved to strong € 1.9 bn in full year 2018
- Very strong balance sheet providing substantial investment optionality
- Focused CapEx investments in all business units, particularly focusing on growth
- M&A remaining integral part of strategy, complemented by Venture Capital activities
- Continued focus on shareholder value creation – record dividend proposal of € 1.85¹

¹ Proposal per preferred share to shareholders for the AGM on April 8, 2019

NWC management

Improvement throughout the year

in % of sales

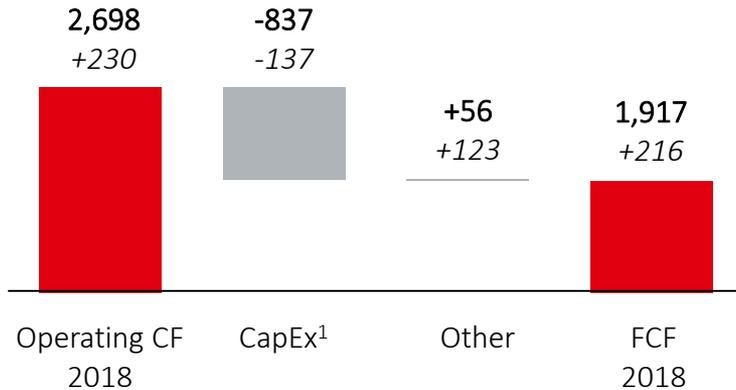


Net Working Capital of Adhesive Technologies mainly driven by higher inventories

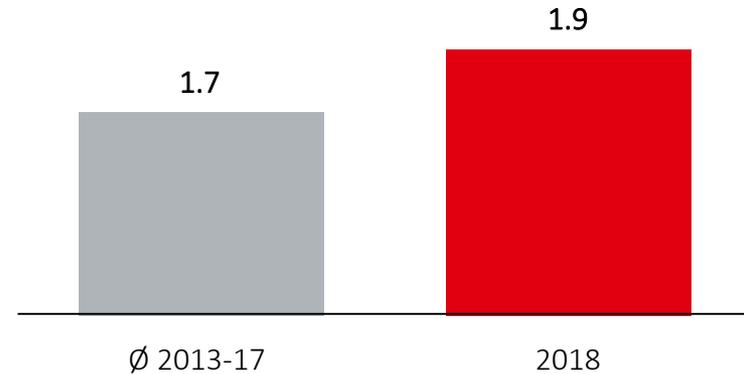
Strong improvement in Laundry & Home Care, Beauty Care driven by portfolio effects from acquisitions

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

¹ Including payments on account

Focused CapEx investments in all business units

Around € 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

Around € 400 m invested in 2018

- **Adhesive Technologies**
Expanded footprint in Emerging Markets
- **Beauty Care**
Successfully integrated Hair Professional acquisitions (end of 2017)
- **Laundry & Home Care**
Position in North America further strengthened
- **Venture Capital**
Strengthening digital and technological expertise by investments in start-ups and VC funds



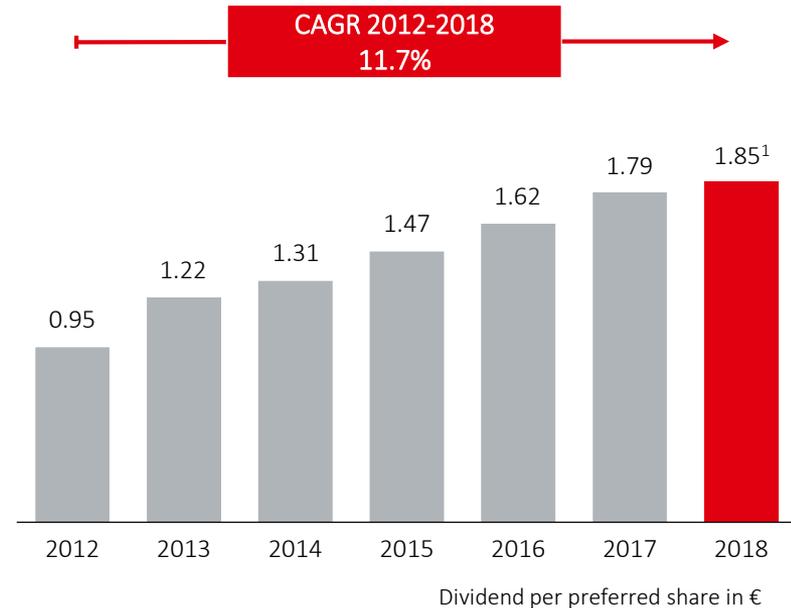
JEMPAK



Strong track record of increasing dividend

Around € 800 m distributed in 2018

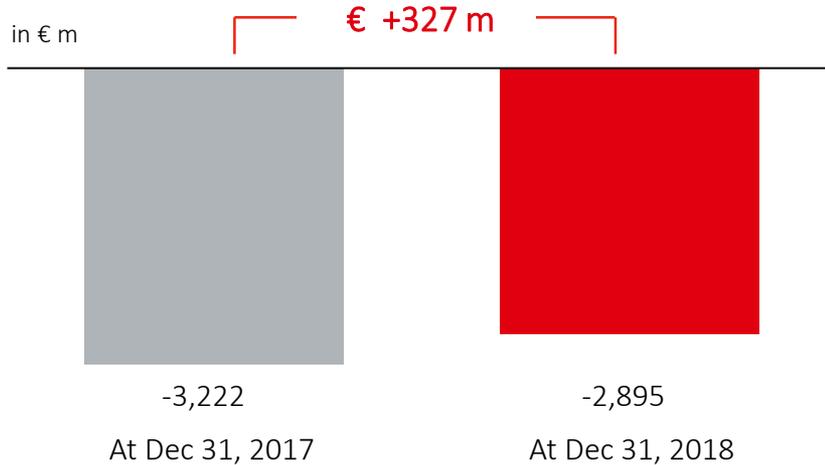
- Record dividend proposal of € 1.85¹ per preferred share
- 30.9% payout ratio in line with target range
- More than € 4 bn paid out since 2012 via dividends
- Increase of target dividend payout range from 25 - 35% to 30 - 40% from fiscal 2019



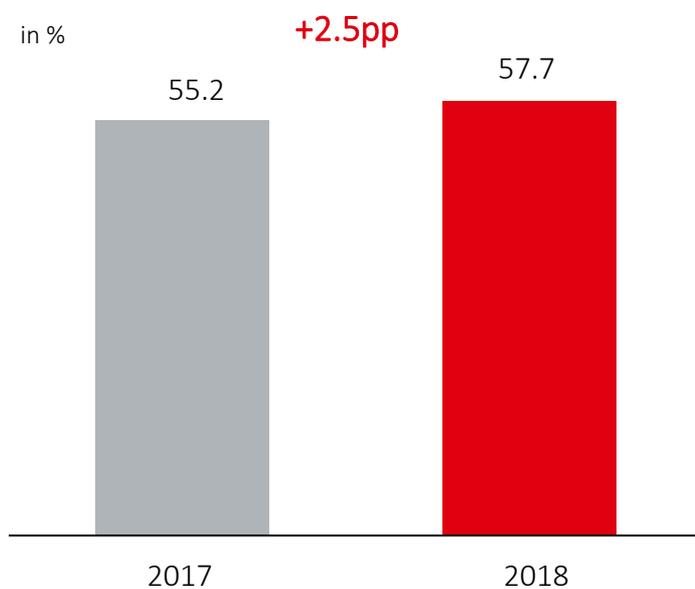
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Strong balance sheet

Net financial position



Equity ratio



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Our progress in sustainability

- Total efficiency increased by 43% since 2010
- CO₂ emissions, waste and water consumption significantly reduced
- Further improvements in work place safety
- Comprehensive progress through numerous initiatives along the entire value chain



Ambitious packaging strategy

- Already 80% of our packaging is recyclable, reusable or compostable
- Cooperation with partners along the entire value chain
- Founding member of new global “Alliance to End Plastic Waste”
- Many initiatives at our sites around the world



Bottle made of 100% recycled plastic, thereof 10%



Active contribution to climate protection

- CO₂ footprint of production reduced by 25% since 2010
- Already more than 10% of electricity worldwide generated from renewable sources
- Significant contribution to climate protection through our products: savings of 9 million tons of CO₂



Better chances through education

- “Million Chances”: new perspectives for the future of 115,000 girls and women
- Sustainable palm oil production: around 30,000 smallholder farmers in seven projects supported
- “Henkel-Forscherwelt” (Researchers’ World): more than 34,000 school children in 10 countries reached

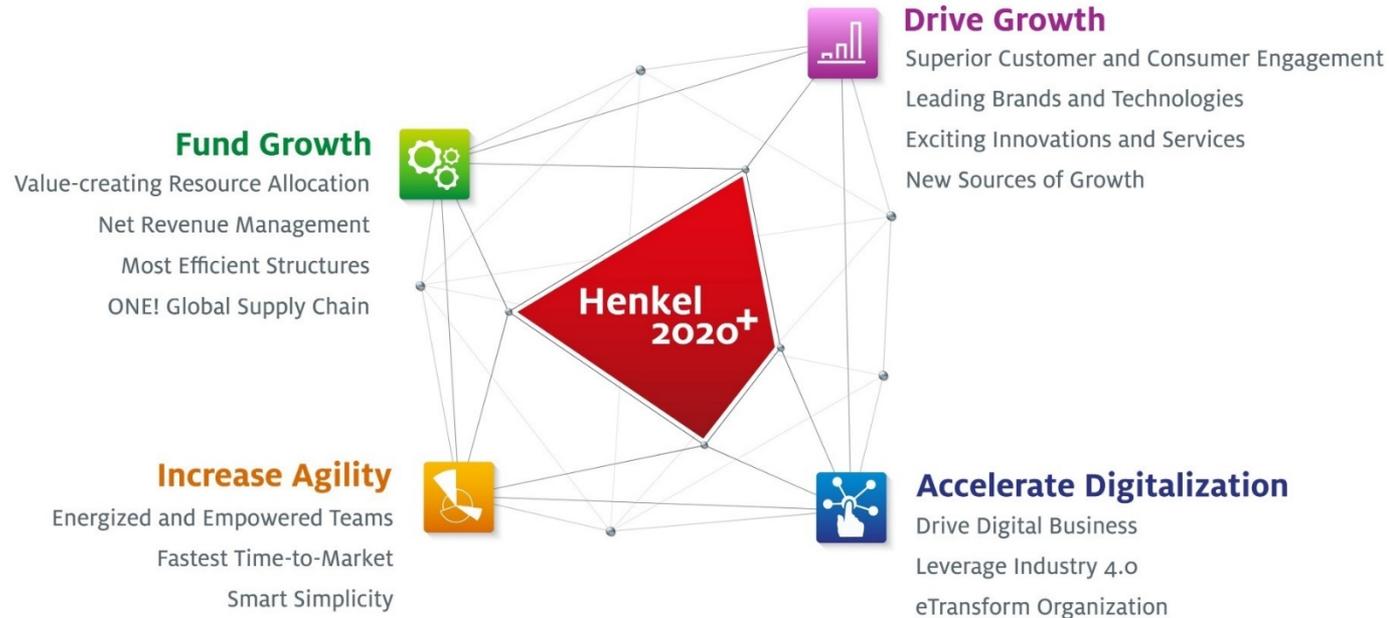


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Henkel 2020⁺

Continued strong progress in the implementation of our strategic priorities



Our 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

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

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
(at constant currencies)

Mid single digit % below PY

* Adjusted for one-time charges/gains and restructuring charges

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,
no parabens

Nature Box – rollout in
new markets



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

OnlyLove – launch of
new brand



No ammonia, no silicone,
no 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 sublines



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 new brand



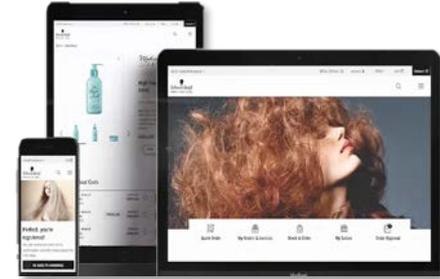
Creation of new premium
vegan OTC brand with pure
recognizable ingredients

IGORA Vibrance – global relaunch



High potential hair color initiative under
Schwarzkopf brand based on new
formula platform

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, SIOCs¹ for optimized logistics

¹ Ships in own container

Turn around North America

Selection of innovations with launch in H1 2019

Caps offensive – win in fast growing segment



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

all relaunch – boost growth of largest US brand



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

Snuggly Scent Shakes – US market launch



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

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

* Adjusted for one-time charges/gains and restructuring charges

Key points you heard from us today

- 2018 was a successful year – despite challenging environment
- Good progress in implementation of strategic priorities 2020+
- Higher investments in brands, technologies, innovations and digitalization
- We pursue very ambitious targets
- Well-positioned to deliver sustainable profitable growth and attractive returns
- Leading position in sustainability

