



## News Release

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Henkel presents new strategic priorities and financial ambition

### Henkel 2020+: Focus on growth, digitalization and agility

- **Henkel pursues compelling ambition for 2020 and beyond:**
  - **Continue to deliver profitable growth and attractive returns**
  - **More customer-focused, innovative, agile, and fully digitalized**
  - **Targeted acquisitions to strengthen portfolio**
- **Clear strategy with four priorities:**
  - **Drive growth**
  - **Accelerate digitalization**
  - **Increase agility**
  - **Fund growth**
- **Financial ambition for 2020:**
  - **Organic sales growth: average 2% to 4%**
  - **Adjusted\* earnings per preferred share: 7% to 9% CAGR\*\***
  - **Improve adjusted\* EBIT margin**
  - **Expand free cash flow**

Duesseldorf, Germany – Today, Henkel presented its **new strategic priorities and financial ambition, which will shape Henkel until 2020 and beyond** – summarized as “Henkel 2020+”. Based on its strong foundation, Henkel aims to **generate continued profitable growth** by focusing on **four strategic priorities: Driving growth, accelerating digitalization, increasing agility, and funding growth.**

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

\*\* CAGR: Compound Annual Growth Rate

*“We will build our future on a **strong foundation**, which will enable us to generate sustainable profitable growth in the coming years. We have an **excellent track record of outperforming our markets, a balanced and well-diversified business portfolio with exciting brands, innovative technologies and leading positions in highly attractive markets and categories – and a passionate global team with a strong culture, common purpose and shared values**,”* said Hans Van Bylen, Chief Executive Officer of Henkel.

*“At Henkel, we share the **common purpose to create sustainable value** – for our customers and consumers, our employees, our shareholders, as well as for our stakeholders and the communities in which we operate. In addition, our **values** guide all our actions, decisions and behavior,”* said Hans Van Bylen.

#### **Ambition for 2020+: Continue Henkel's successful development**

*“We want to **continue Henkel's successful development in a highly volatile business environment**, characterized by globalization, accelerating digitalization, rapidly changing markets, and an increasing relevance of resource scarcity and social responsibility. By 2020 and beyond, our **ambition for Henkel** is to generate **more profitable growth and to become more customer-focused, more innovative, more agile, and fully digitized in our internal processes and customer-facing activities**. In addition, we **aim to promote sustainability in all our business activities, reinforcing our leading position**,”* Hans Van Bylen explained.

*“In order to achieve this ambition, we will **focus on driving growth, accelerating digitalization across all our businesses and functions, increasing agility in our organization and teams, and funding our growth through targeted initiatives**. In addition to organic growth, **acquisitions will continue to be an integral part of our strategy** in order to further strengthen our portfolio. We will begin to implement our strategic priorities in a highly energized way from day one, to continue our successful*

*development and create sustainable value,”* said Hans Van Bylen, summarizing Henkel’s future strategic direction.

## **Profitable growth and attractive returns**

In a highly volatile and uncertain market environment, Henkel has defined a **concrete financial ambition for the period until 2020**: Over the next four years, Henkel aims to achieve an **average organic sales growth between 2 and 4%** with an over-proportionate contribution from emerging markets. For **adjusted earnings per preferred share**, Henkel targets a **compound annual growth rate (CAGR) of 7 to 9%**. This ambition for EPS growth includes the impact of currency developments and excludes major acquisitions as well as share buy-back. In addition, Henkel aims for **continued improvements of its adjusted EBIT margin** and **free cash flow expansion**.

*“We have set financial ambitions for 2020 which reinforce our strong confidence in our ability to **deliver excellent financial performance and attractive returns**,”* said Carsten Knobel, Chief Financial Officer of Henkel. *“We will continue to focus on **cost discipline, improving our profitability, optimizing net working capital and generating strong cash flows**. This will enable us to further **invest in both organic and inorganic growth**.”*

## **Overview of strategic priorities**

### **1. Drive Growth**

**Driving growth** in mature and emerging markets will be a key strategic priority for Henkel. The company will launch a range of targeted initiatives to create **superior customer and consumer engagement**, further strengthen its **leading brands and technologies**, develop **exciting innovations and services**, and capture **new sources of growth**.

With **superior customer and consumer engagement**, Henkel aims to accelerate growth with top customers through intensified partnerships, and to outperform market growth with its leading customers in all three business units. This will be enabled by a step-change in customer-centricity – focusing on customer and consumer needs – as well as by executing detailed customer and consumer engagement plans, involving all levels of the organization. In addition, Henkel wants to better capture growth opportunities by addressing the needs of specific target groups with customized products, services and innovations.

Henkel also plans to further strengthen its **leading brands and technologies**, increasing sales of its top-performing global brands as well as its leading local brands: Sales of the top 10 brands should increase to 75% of total group sales by 2020. This will be driven by targeted investments to strengthen Henkel's top brands, creating competitive advantages through capturing new technologies and developing customized products and solutions across various industry segments.

Growth will also be driven by continuously enhancing Henkel's ability to develop **exciting innovations and services**. This will allow Henkel to differentiate in highly competitive markets and to change from a “product focus” to a “solution focus” with more differentiating products and services in both its consumer and industrial businesses. By 2020, Henkel aims to develop more accretive innovations and plans to increase the sales share from its top innovations. In order to drive innovation capabilities and create opportunities to engage its customers, Henkel will develop and prepare the opening of new innovation centers for its Adhesive Technologies business in Düsseldorf and Shanghai. At the same time, Henkel will expand service offerings and models across all business units. These will include consultancy and technical advice for its industrial and professional customers, as well as digital service offers in the consumer businesses such as online booking platforms for hairdresser appointments, subscription models or automatized reordering.

Henkel will also complement its strategic focus on driving growth in its existing core business by capturing potential **new sources of growth**, for example by entering into new markets to close white spots in mature and emerging markets. Targeted acquisitions will help to complement Henkel's portfolio, strengthen its position in attractive markets and categories, and expand into adjacent categories. In addition, the company will set-up a dedicated Venture Capital Fund with up to 150 million euros to invest in start-ups with specific digital or technological expertise.

In order to support its growth ambition, Henkel will increase its investments and raise capital expenditures (Capex) from around 2 billion euros in the period from 2013 to 2016 up to 3 billion euros over the period from 2017 to 2020.

While Henkel aims to drive organic growth, acquisitions will be an integral part of the company's strategy to further strengthen its portfolio. Henkel will continue to pursue potential options with a highly disciplined approach based on clear criteria: strategic fit, availability, and financial attractiveness. At the same time, Henkel is committed to its "Single A" rating.

## **2. Accelerate Digitalization**

**Accelerating digitalization** will help Henkel to successfully grow its business, strengthen the relationships with its customers and consumers, optimize its processes and transform the entire company. By 2020, Henkel will implement a range of initiatives to **drive its digital business, leverage industry 4.0 projects, and transform the organization.**

To **drive its digital business**, Henkel aims to digitize its interaction with customers, consumers, business partners and suppliers along the entire value chain in both its consumer and its industrial businesses. "Digitally-driven" sales should be doubled to more than 4 billion euros by 2020. For example, in its consumer business Henkel intends to step up its engagement through "omni-channel" offerings that link e-commerce platforms with traditional retailing, develop and roll-out new digital platforms and significantly expand the use of digital media.

Henkel will also **leverage industry 4.0** to better plan, source, produce and deliver its products and solutions. The digitalization of the integrated global supply chain will help to increase service levels for customers, better utilize manufacturing plants, improve production and logistics processes and benefit Henkel's sustainability footprint.

The successful digitalization of Henkel will depend on the capabilities of its employees and their ability to **transform the organization**, adopting a rapid "test and learn" mindset. To promote this change, Henkel will expand its specific training and development programs. In addition, the position of a Chief Digital Officer with a cross-business responsibility will be established.

### **3. Increase Agility**

In a highly volatile and dynamic business environment, **increasing the agility** of the organization will be a critical success factor for Henkel in the future. This will include **energized and empowered teams, fastest time-to-market** as well as **smart and simplified processes**.

In order to create a more agile organization with **energized and empowered teams**, Henkel will foster the entrepreneurial spirit of its employees, promote openness to change, encourage adaptability and enlarge employees' decision-making power. This will be supported by the strong performance culture at Henkel, with open feedback as well as rewards and recognition for excellent results.

As part of its "**fastest time-to-market**" initiative, Henkel aims to reduce innovation lead-times through better anticipation of customer and consumer needs. In Laundry & Home Care and Beauty Care, for example, Henkel targets a 30% reduction in lead-time. In addition, Henkel aims to accelerate market entries and penetration into new markets.

Henkel will also leverage a “**smart simplicity**” approach to become more agile through flexible business models that are adapted to dynamic markets, as well as through the optimization of workflows and processes.

#### 4. Fund Growth

In order to **fund growth**, Henkel will implement new approaches to optimize **resource allocation**, focus on **net revenue management**, further increase **efficiency in its structures**, and continue to expand its **Global Supply Chain** organization. Together, these initiatives will contribute to further **improve profitability** and enable Henkel to **fund its growth ambitions for 2020 and beyond**.

“**Value-creating resource allocation**” will help to further optimize cost management through increased global budget transparency across defined cost categories, and through improved budget allocation.

**Net revenue management** will enable increased efficiency of Henkel’s promotion activities. This will include, for example, leveraging exclusive consumer and shopper insights, as well as category expansion or development of new categories with retail partners.

Henkel will also continuously work on the implementation of **most efficient structures**, for example, through the ongoing transformation of its shared service centers, which handle a broad range of processes in a highly standardized and digitized way across all business units. In addition, the company will also continue to optimize and consolidate its global manufacturing and warehouse footprint.

Following the successful start in Europe, and the set-up of hubs in both Europe and Asia, Henkel’s **integrated Global Supply Chain organization** will be further rolled-out in all regions.

## Sustainable value generation

*“Henkel aims to **create sustainable value** in all dimensions of its business activities. This purpose unites all of our employees and is aligned with a set of **strong values**: customers and consumers, people, financial performance, sustainability, and family business,”* said Hans Van Bylen.

To reinforce its commitment to sustainability, Henkel has defined clear targets to improve its resource efficiency, for example by **creating more value with less resources**. Henkel has defined ambitious **sustainability milestones** which would result in an overall **efficiency improvement of 75 percent by 2020** compared to 2010. Engaging **all Henkel employees globally to act as sustainability ambassadors** toward customers and consumers, business partners and society will be a driver of Henkel’s sustainability leadership.

### About Henkel

Henkel operates globally with a well-balanced and diversified portfolio. The company holds leading positions with its three business units in both industrial and consumer businesses thanks to strong brands, innovations and technologies. Henkel Adhesive Technologies is the global leader in the adhesives market – across all industry segments worldwide. In its Laundry & Home Care and Beauty Care businesses, Henkel holds leading positions in many markets and categories around the world. Founded in 1876, Henkel looks back on more than 140 years of success. In 2015, Henkel reported sales of 18.1 billion euros (20.1 billion US dollars), adjusted operating profit of 2.9 billion euros (3.2 billion US dollars). Its three top brands, Persil (detergent), Schwarzkopf (hair care) and Loctite (adhesive) generated more than 6 billion euros (around 6.6 billion US dollars) in combined sales. Henkel employs around 50,000 people globally – a passionate and highly diverse team, united by a strong company culture, a common purpose to create sustainable value, and shared values. As a recognized leader in sustainability, Henkel holds top positions in many international indices and rankings. Henkel’s preferred shares are listed in the German stock index DAX. For more information, please visit [www.henkel.com](http://www.henkel.com)

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