

# Henkel 2020<sup>+</sup>

**Our strategic priorities for the future**

Hans Van Bylen / Carsten Knobel

Press Conference, November 17, 2016

# | Disclaimer

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# | Key points you will hear from us today

- Strong foundation based on a well-balanced portfolio
- Excellent financial performance
- Compelling ambition to deliver attractive returns
- Consistent capital allocation supporting our ambition
- Clear and exciting growth strategy going forward

# | Agenda

————— | **Strong Foundation** —————

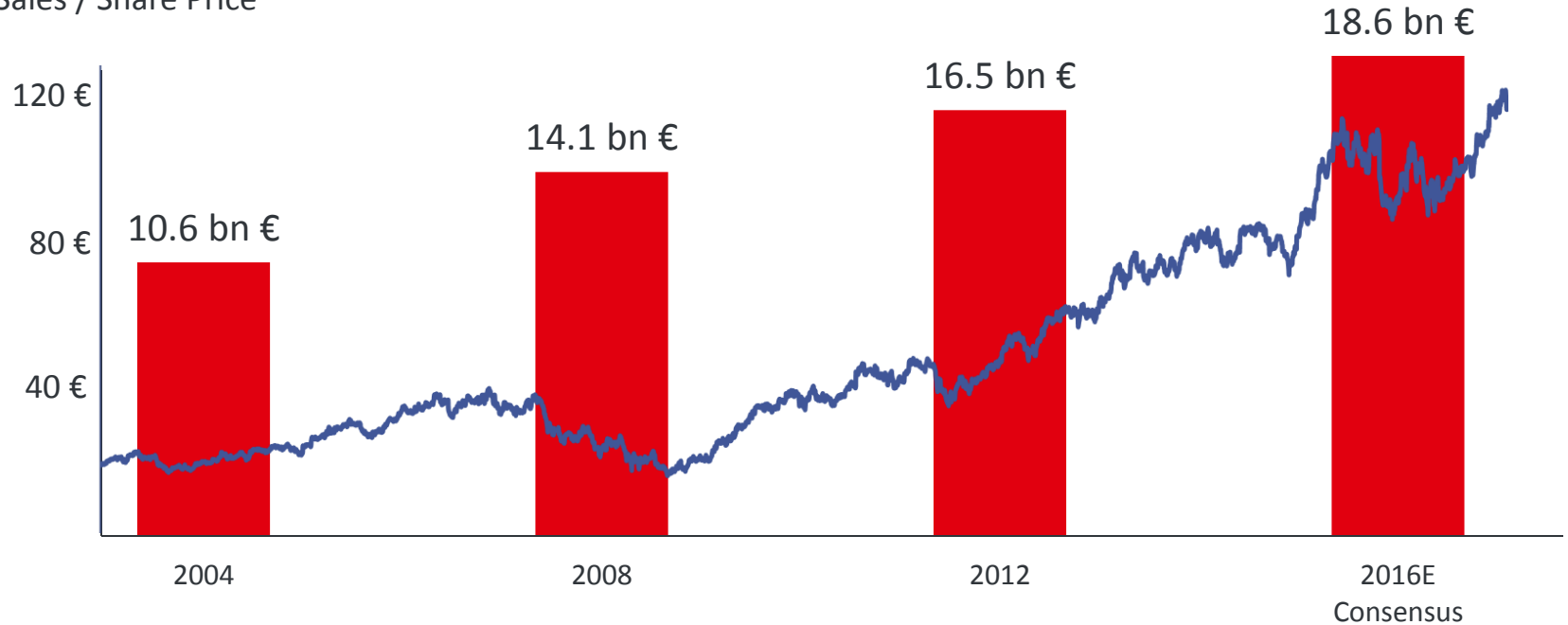
————— | Compelling Ambition —————

————— | Clear Strategy —————

————— | Attractive Returns —————

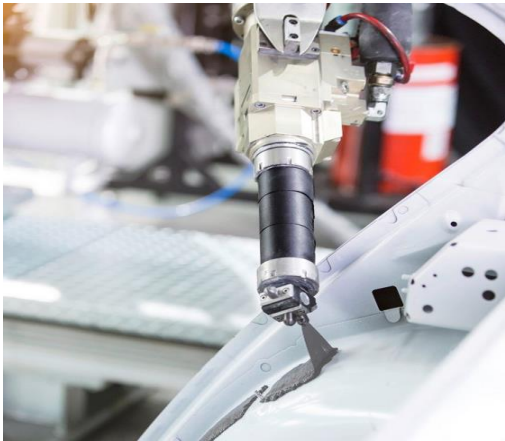
# Strong and consistent historic performance

Sales / Share Price



# Well-diversified portfolio with strong brands...

## Adhesive Technologies



**LOCTITE**  
**TEROSON**  
**BONDERITE**

## Beauty Care



  
Schwarzkopf  
syoss



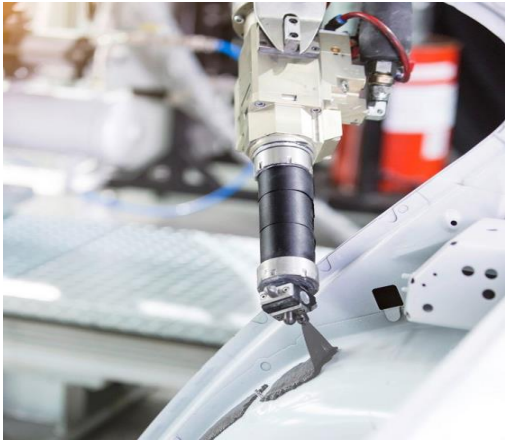
## Laundry & Home Care



**Persil**  
**Purex**  


# | ...in attractive markets

## Adhesive Technologies



Global leading positions

#1 globally

## Beauty Care



Leading category / country positions

#3 Hair Coloration  
#3 Hair Professional

## Laundry & Home Care



#1 Europe  
#2 North America / MEA

# | Compelling and high-quality acquisitions

Adhesive Technologies

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Beauty Care

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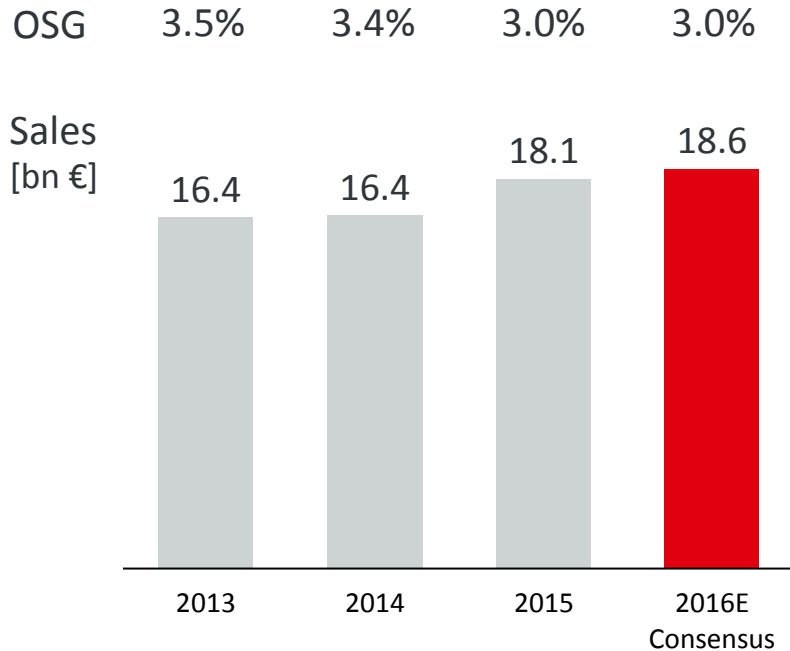
Laundry & Home Care

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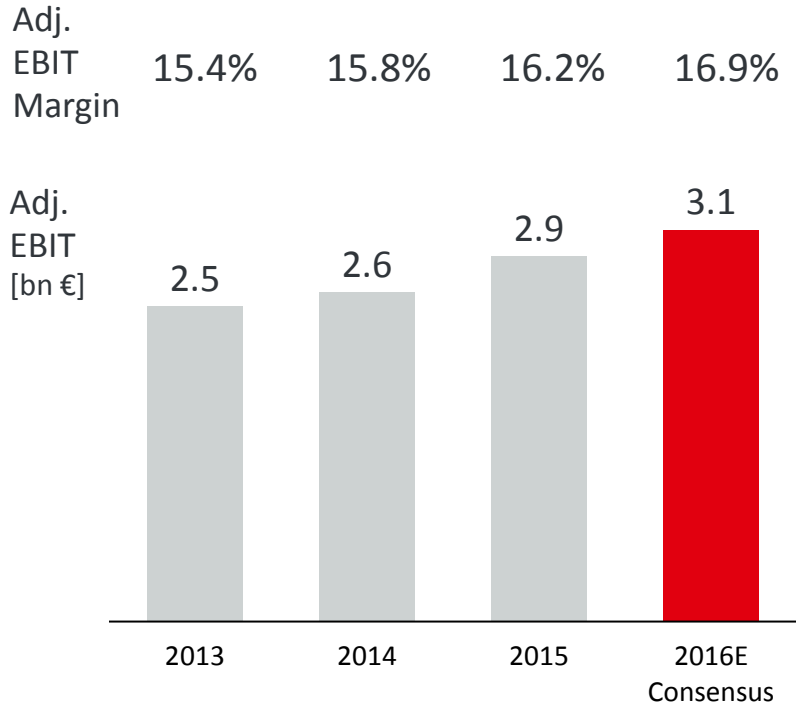


# Strong sales growth outperforming markets



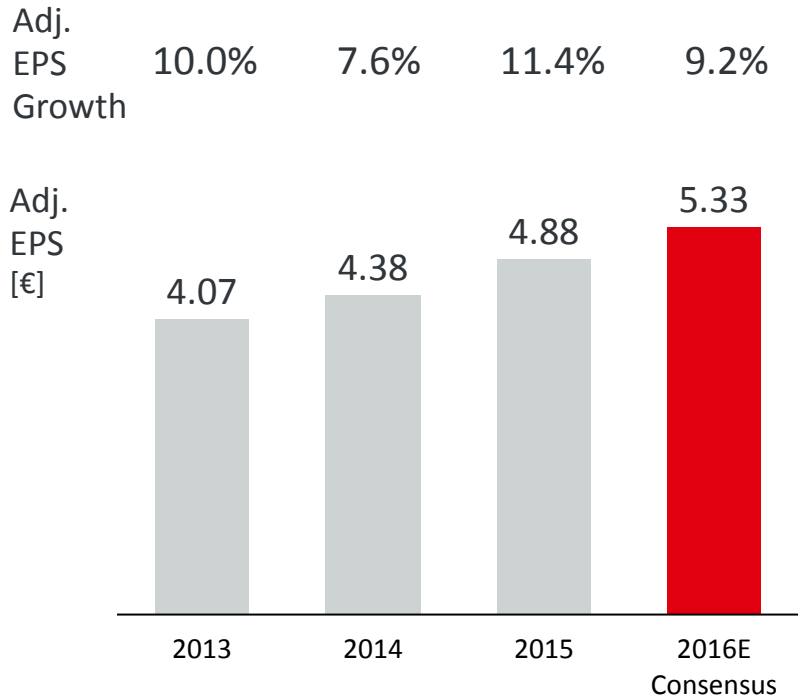
- Consistent organic growth
- Emerging markets with over-proportional contribution
- Nominal growth significantly impacted by FX headwinds
- Add-on acquisitions across all business units

# Significant margin increase leading to > 3 bn € profit



- Consistent improvement in profitability
- All business units contributing
- Strong gross margin expansion
- SG&A contribution accelerating in 2016

# Consistently high adjusted EPS growth



- Best-in-class earnings profile
- Organic performance dominant EPS driver
- Driven by both sales and margin expansion
- Significantly impacted by FX headwinds

# Significant progress vs. ambitious targets 2016

FX headwinds affecting all ambition dimensions

## Ambition 2016

**Sales**

20 bn €



**EM Sales**

10 bn €



**Adj. EPS  
Growth\***

10% CAGR



## Achievement to date

- Strong OSG (↗ 3.2%), outperforming markets
- Supported by small- and mid-sized acquisitions

- Over-proportional growth in EM (↗ 7.1%)
- Limited impact from acquisitions

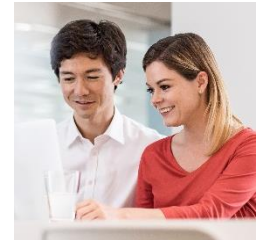
- Superior performance with high EPS growth
- Foundation for high free cash flow generation

\* per preferred share

# | Strong global team...

Passion and diversity of our people drive our business success

- High level of diversity in all dimensions
- People as top management priority
- Strong global talent base
- Performance-based compensation scheme
- “Winning Culture”



# | ...based on our purpose, vision, mission and values

Creating sustainable value

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**Purpose**

Leading with our innovations, brands and technologies

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**Vision**

Serving our customers and consumers worldwide as the most trusted partner with leading positions in all relevant markets and categories – as a passionate team united by shared values

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**Mission**

Customers and Consumers – People – Financial Performance – Sustainability – Family Business

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**Values**

# | Agenda

—— | Strong Foundation

—— | **Compelling Ambition**

—— | Clear Strategy

—— | Attractive Returns

# | In a changing market environment...

## **Globalization**

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Multipolar and increasingly interdependent market environment

## **VUCA**

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Markets with high level of volatility, uncertainty, complexity & ambiguity

## **Digitalization**

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Accelerating digitalization with exponential evolution of technologies

## **Sustainability**

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Increasing awareness about resource scarcity and social responsibility



## | ... we pursue a compelling ambition

- 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

# Generate profitable growth and attractive returns

## Financial ambition 2020

Organic Sales Growth

2 – 4%  
(Average 2017 – 2020)

Adj. EPS Growth

7 – 9%  
(CAGR 2016 – 2020, per preferred share)

Adj. EBIT Margin

Continued improvement in  
adjusted EBIT margin

Free Cash Flow

Continued focus on  
free cash flow expansion

# | Agenda

—— | Strong Foundation

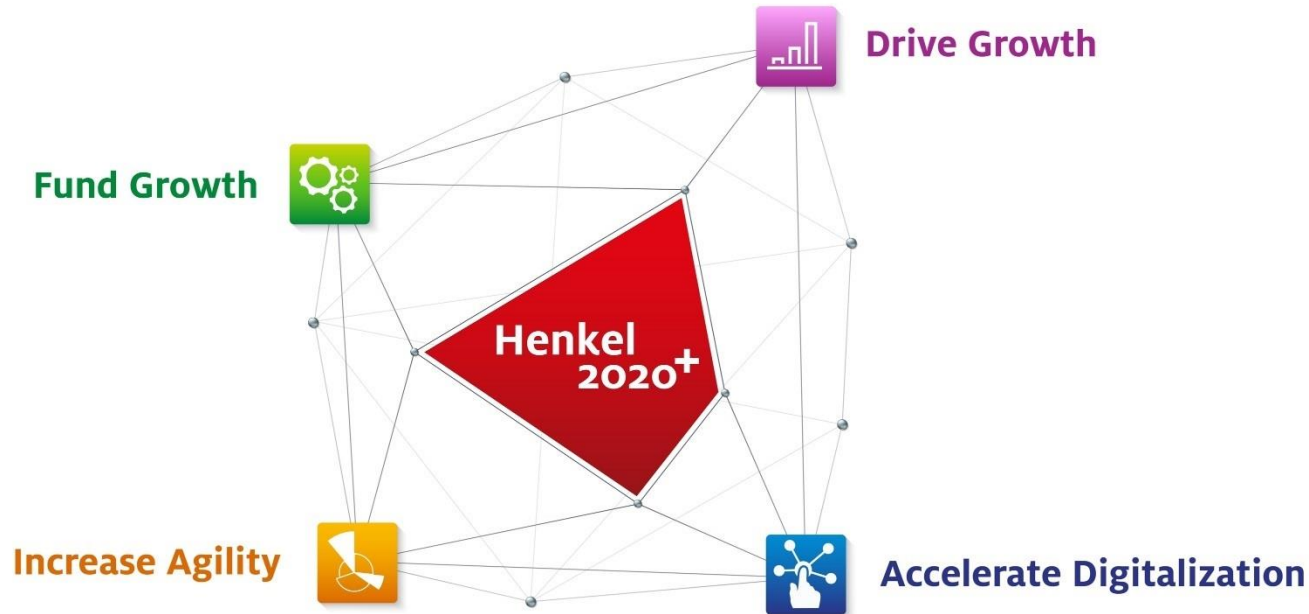
—— | Compelling Ambition

—— | **Clear Strategy**

—— | Attractive Returns

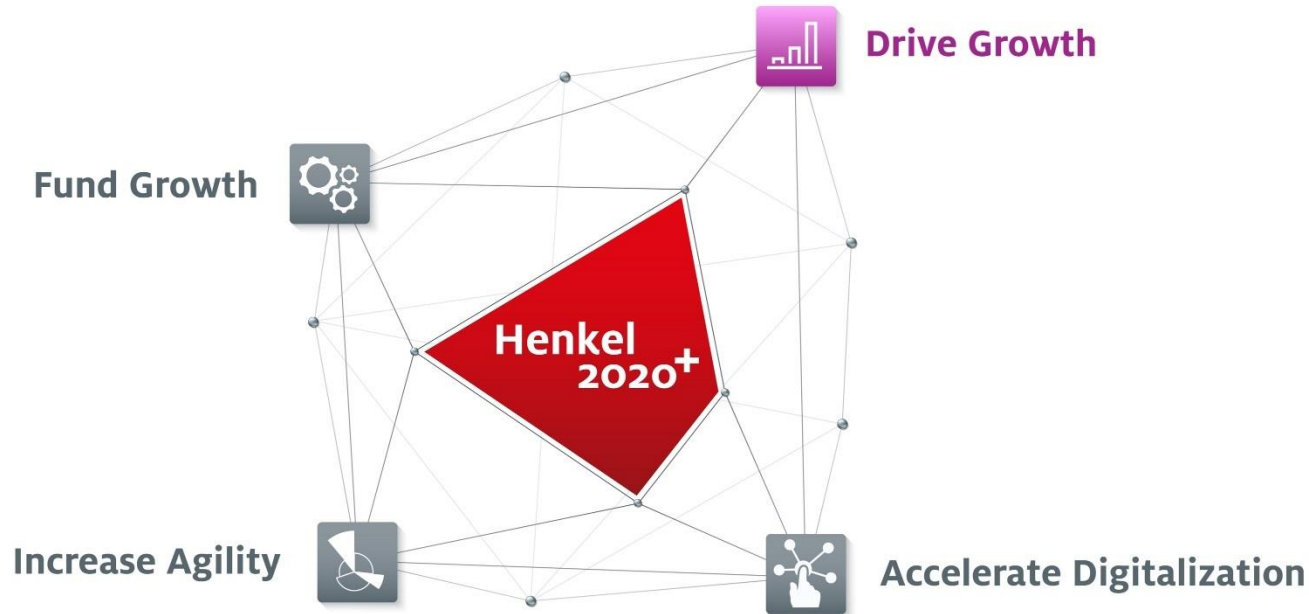
# Clear and exciting growth strategy

## Henkel 2020+: Strategic priorities



# Clear and exciting growth strategy

## Henkel 2020+: Strategic priorities





## Drive Growth

- Superior customer and consumer engagement
- Leading brands and technologies
- Exciting innovations and services
- New sources of growth



# Superior customer and consumer engagement

- Step-change customer centricity through multi-level engagement
- Accelerate growth with top customers through intensified partnerships
- Make consumer journey a unique experience
- Capture growth opportunities, address the needs of specific target groups



# | Leading brands and technologies

- Targeted investments strengthening our top brands
- Increase share of top 10 brands to 75%
- Create competitive advantage by capturing new technologies
- Leverage more customized products and solutions across various industry segments





# Exciting innovations and services

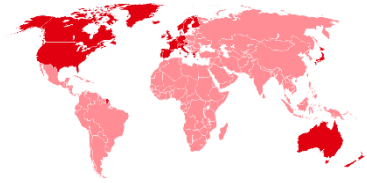
- Elevate impactful, more accretive innovations
- Increase sales share of top innovations
- Re-invent innovation set-up including build-up of new centers in Düsseldorf and Shanghai
- Expand product offerings by value-adding services and solutions





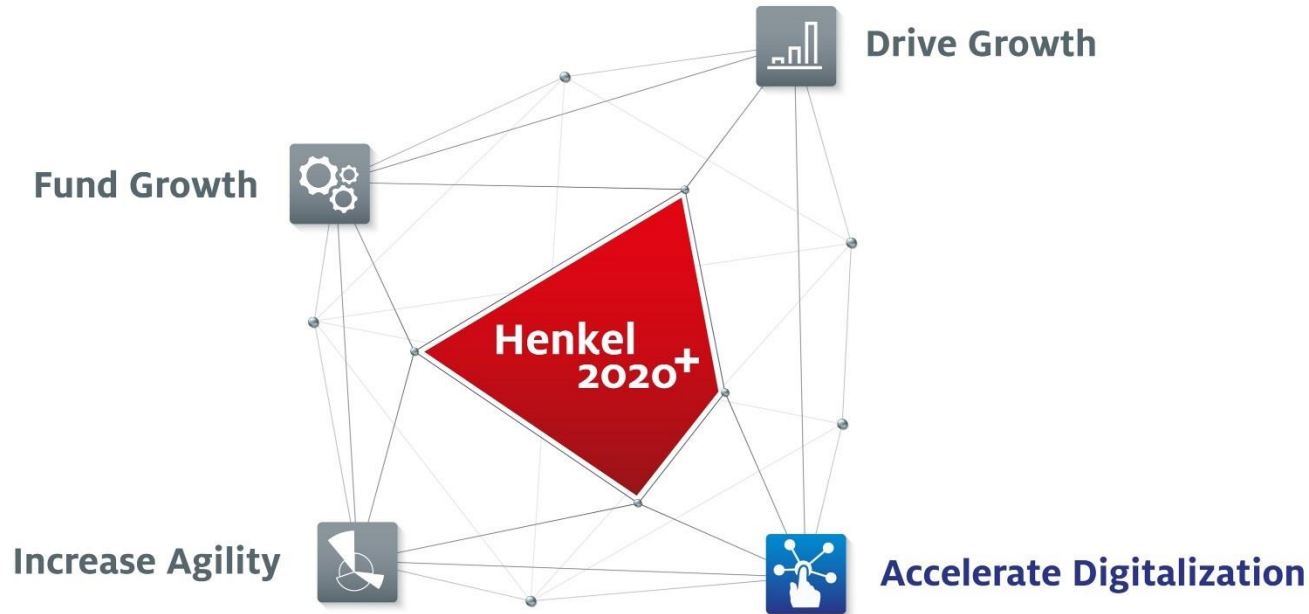
## New sources of growth

- Drive expansion in mature markets and grow over-proportionally in emerging markets
- Conquer white spots in core markets and expand into adjacencies via targeted acquisitions
- Invest in start-ups with digital or technology know-how via Corporate Venture Capital fund of up to 150 M€



# Clear and exciting growth strategy

## Henkel 2020+: Strategic priorities





## Accelerate Digitalization

- Drive digital business
- Leverage Industry 4.0
- eTransform organization



# Drive digital business

- Digitize interaction with customers and consumers, business partners and suppliers
- Grow digitally-driven sales to more than 4 bn €
- Step up engagement through omni-channel offerings and e-commerce platforms
- Significantly expand use of digital media





## Leverage Industry 4.0

- Digitize entire process of plan, source, make, deliver
- Increase service levels for customers
- Better utilize manufacturing plants by implementing predictive maintenance
- Improve production and logistics processes by rolling out demand sensing





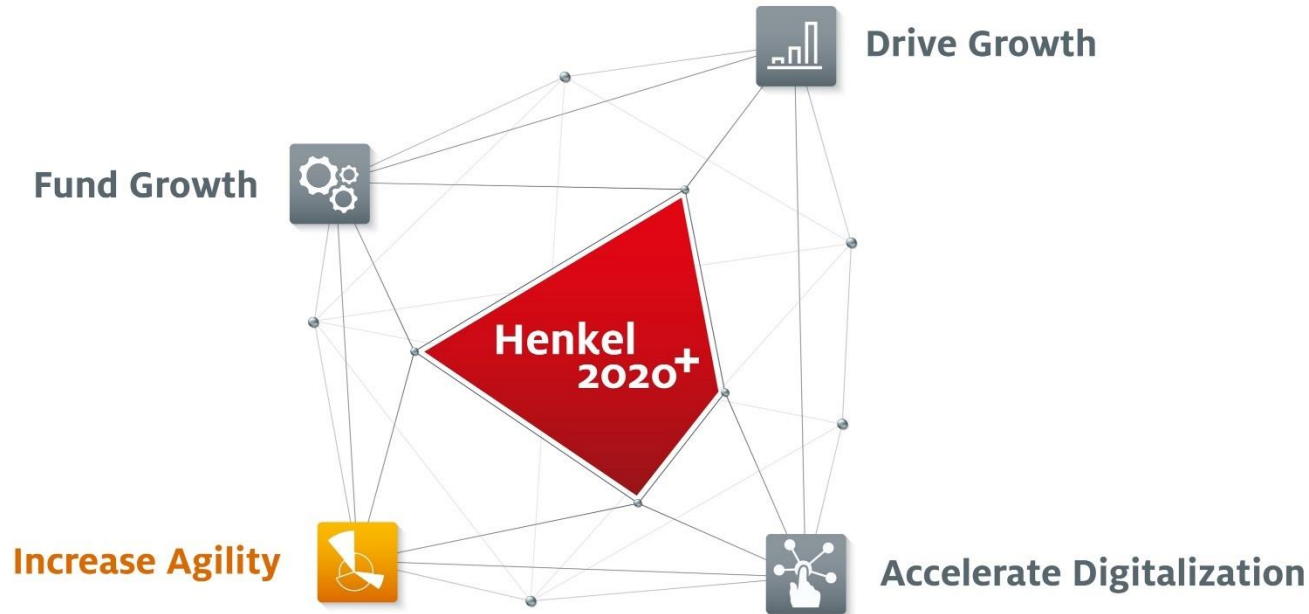
# eTransform organization

- Enhance capabilities of our employees
- Expand digital training and development programs
- Promote rapid “test and learn” mindset
- Establish Chief Digital Officer with cross-business responsibility



# Clear and exciting growth strategy

## Henkel 2020+: Strategic priorities





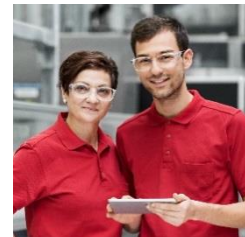


## Increase Agility

- Energized and empowered teams
- Fastest time-to-market
- Smart simplicity

# Energized and empowered teams

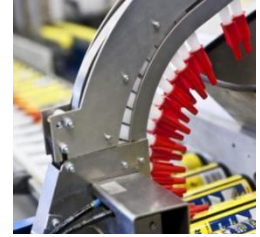
- Foster the entrepreneurial spirit of our employees
- Enlarge the decision-making power of our teams
- Promote openness to change, encourage adaptability
- Further drive outspoken performance culture





# Fastest time-to-market

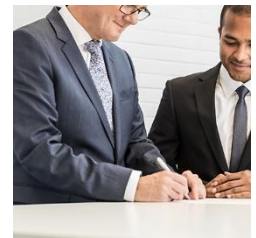
- Reduce innovation lead time
- Anticipate customer and consumer needs
- Expand “Minimum Viable Product” approach
- Speed up market penetration and accelerate entries into new markets





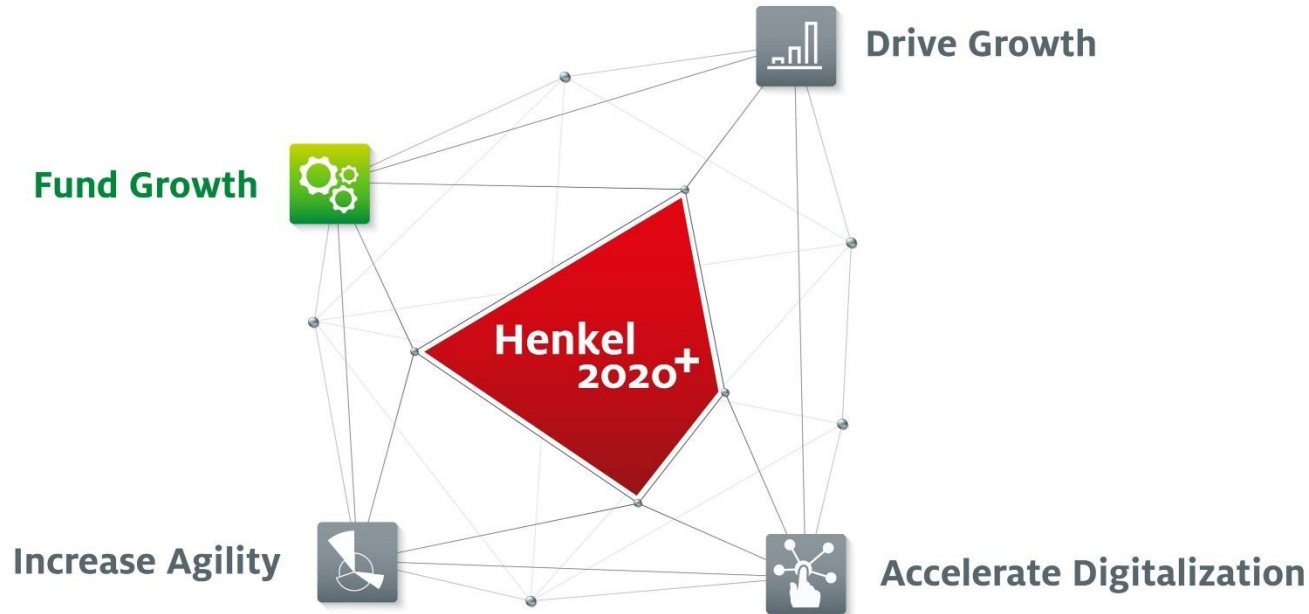
# Smart simplicity

- Adapt to dynamic markets with flexible business models
- Roll out end-to-end processes and optimize workflows
- Excel in integration of acquisitions and leverage synergies



# Clear and exciting growth strategy

## Henkel 2020+: Strategic priorities

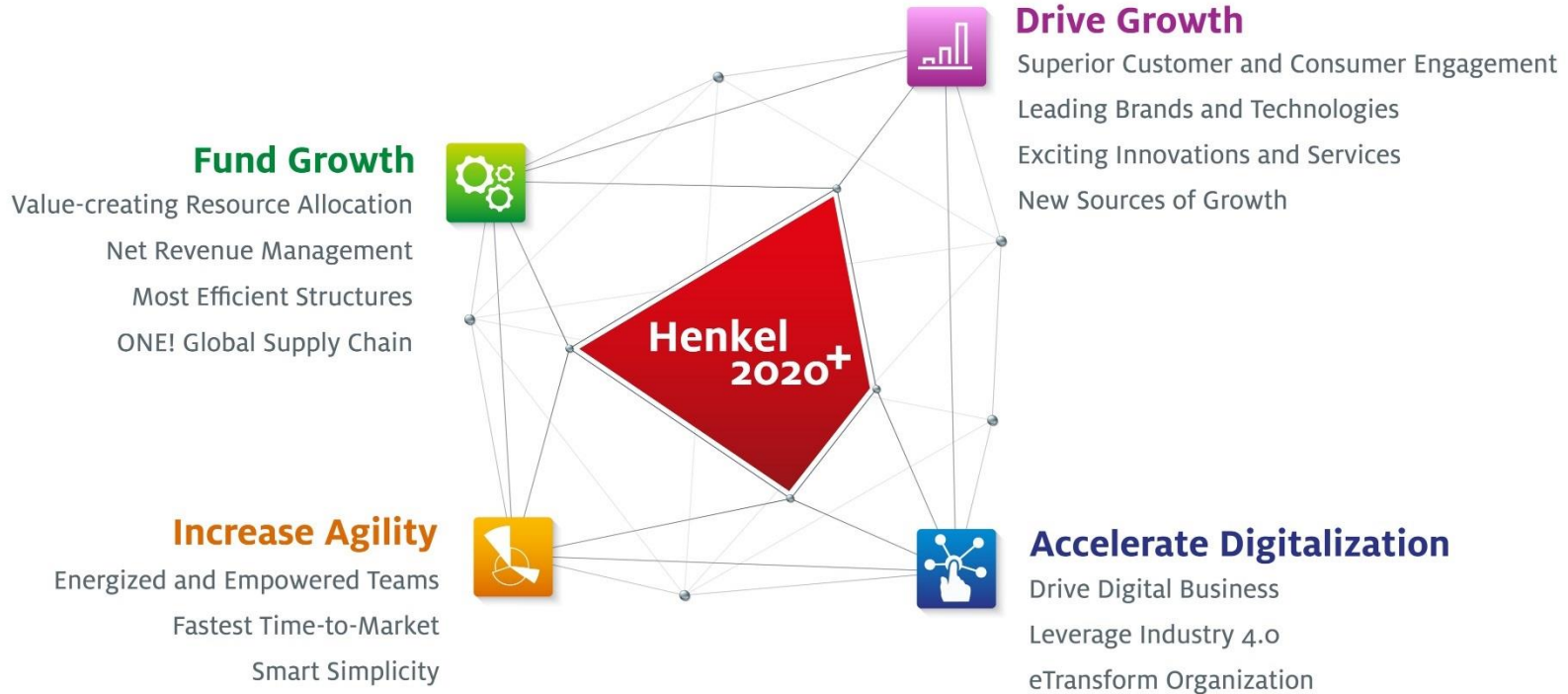




## Fund Growth

- **Value-creating resource allocation**  
Improve cost management and budget allocation
- **Net revenue management**  
Increase efficiency of promotion activities
- **Most efficient structures**  
Transform Shared Service Centers, optimize manufacturing and logistics footprint
- **ONE! Global Supply Chain**  
Continue roll-out across all regions, provide best-in-class service level

# | Our strategic priorities



# | Agenda

——— | Strong Foundation —————

——— | Compelling Ambition —————

——— | Clear Strategy —————

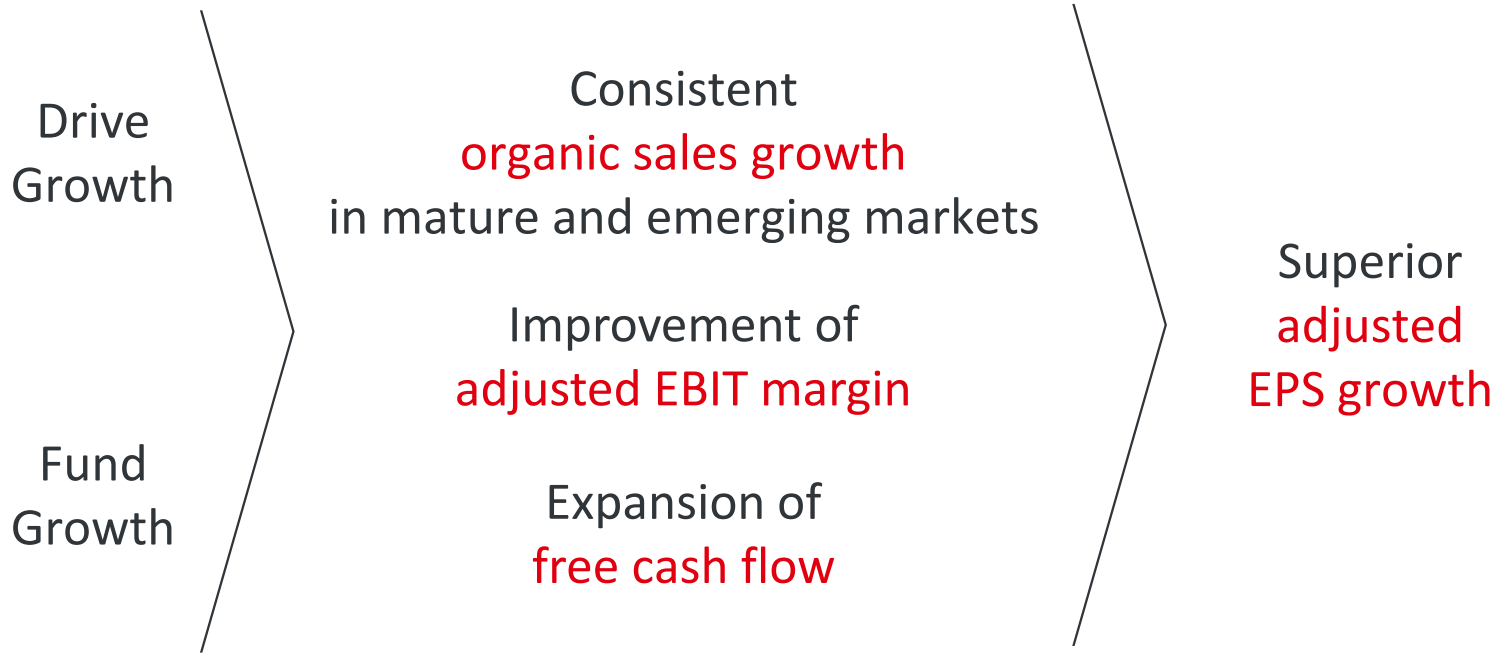
——— | **Attractive Returns** —————



# | Attractive returns

- Continued ambition to deliver attractive returns
- Clear initiatives to fund growth
- Consistent capital allocation supporting our ambition

# | Continued ambition to deliver attractive returns



# | Continued ambition to deliver attractive returns

## Organic Sales Growth

2 – 4%  
(Average 2017 – 2020)

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- OSG to be driven by all business units
- Further expansion of market shares
- Sales in emerging markets to grow over-proportionately
- Growth also in mature markets

# | Continued ambition to deliver attractive returns

Adj. EPS Growth

7 – 9%

(CAGR 2016 – 2020, per preferred share)

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- Organic performance as key EPS driver
- Active portfolio management, incl. small- and mid-sized acquisitions
- Adaptation of our structures to the market to continue
- Foreign exchange impact included
- Share buy-back not included

# | Continued ambition to deliver attractive returns

Adj. EBIT Margin

Continued improvement in  
adjusted EBIT margin

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- Continuous improvement of gross margin
- Further optimization of SG&A expenses
- Realization of synergies from acquisitions

# | Continued ambition to deliver attractive returns

## Free Cash Flow

Continued focus on  
free cash flow expansion

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- Excellent track record of cash generation
- Fueled by significant operating profit
- Driven by further improvement of net working capital
- Supported by “asset light” structure

# Financial ambition 2020

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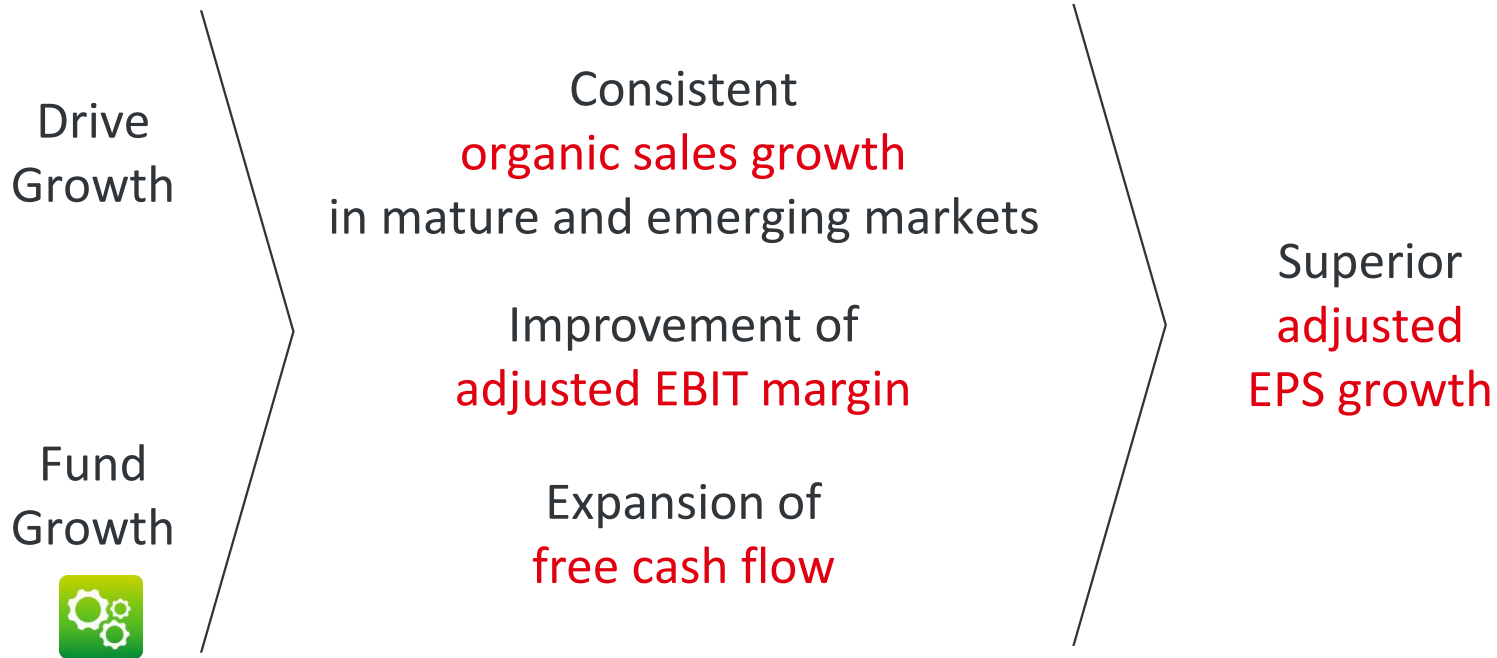
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# | Continued ambition to deliver attractive returns







# Value-creating resource allocation

- New approach to further optimize cost management
- Improve budget allocation, focus on value-adding spend
- Re-invest funds to fuel growth ambition





# Net revenue management

- Increased efficiency of our promotion activities
- Expand existing and develop new categories together with our trade partners
- Create win-win situations by better differentiation





# | Most efficient structures

- Ongoing transformation of shared services
- Continue optimization and consolidation of global manufacturing and logistics footprint
- Leverage synergies from latest acquisitions





# ONE! Global Supply Chain

- Continue and finalize roll-out across all regions
- Ongoing focus on best-in-class service level
- Optimize total supply chain cost by fully capturing cross-business synergies



# | Consistent capital allocation supporting our ambition

## Strong Sources of Cash

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Excellent  
Free Cash Flow  
Generation

Significant  
Balance Sheet  
Optionality

## Consistent Capital Allocation

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Investments

Acquisitions

Dividends

# Consistent capital allocation: Investments

- Increase CapEx by ~50% to ~3 bn € until 2020
- Significant investments to support growth initiatives, innovation, infrastructure and IT
- Step up investments in digitalization
- Launch Venture Capital Fund of up to 150 M€



# | Consistent capital allocation: Acquisitions

- Integral part of our strategy
- Strengthen our portfolio both in core and adjacencies
- Disciplined approach in acquisitions
- Commitment to single-A rating



# | Consistent capital allocation: Dividends

- Established dividend policy
- Consistent growth of dividend payment
- Based on strong earnings profile



# | Attractive returns

- Continued ambition to deliver attractive returns
- Clear initiatives to fund growth
- Consistent capital allocation supporting our ambition

# | Agenda

—— | Strong Foundation

—— | Compelling Ambition

—— | Clear Strategy

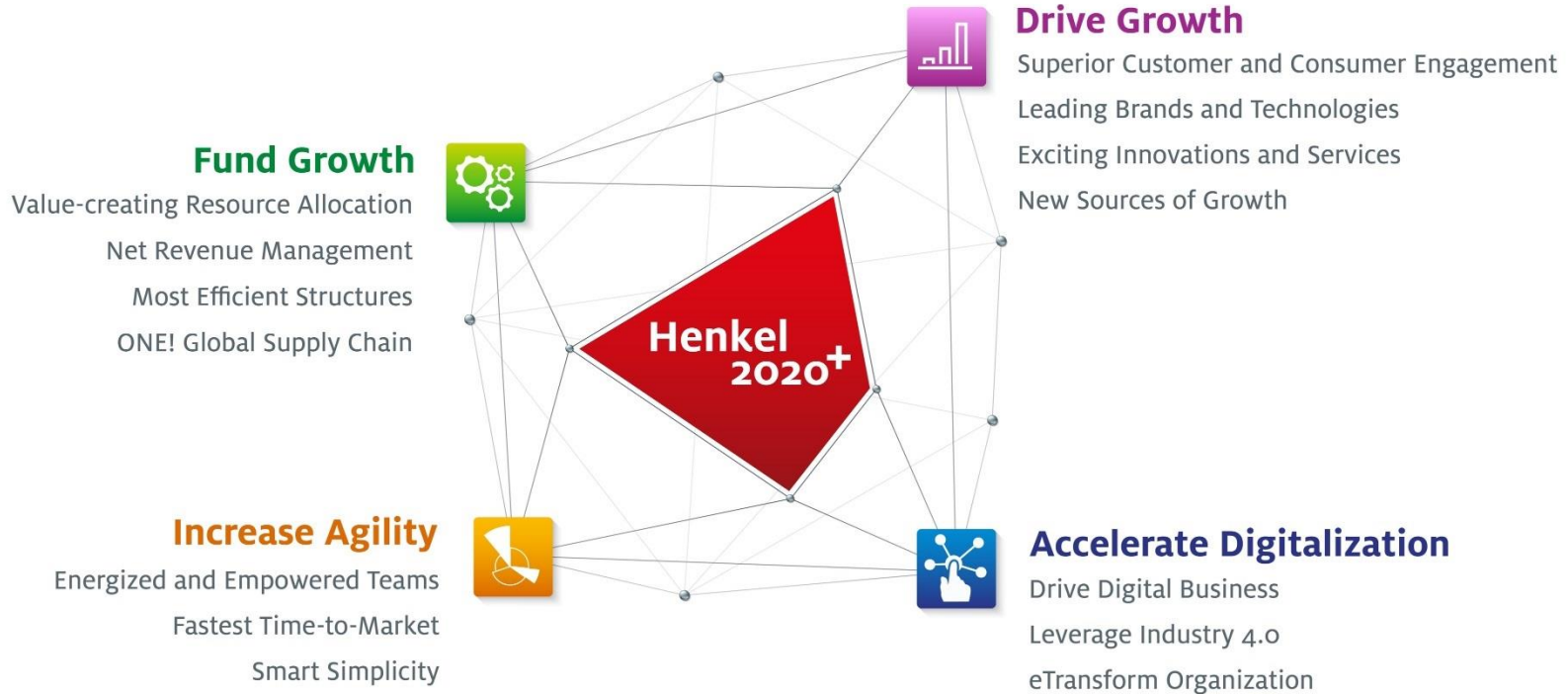
—— | Attractive Returns

# | Compelling ambition

- Generate profitable growth and attractive returns
- Become more customer-focused, innovative and agile
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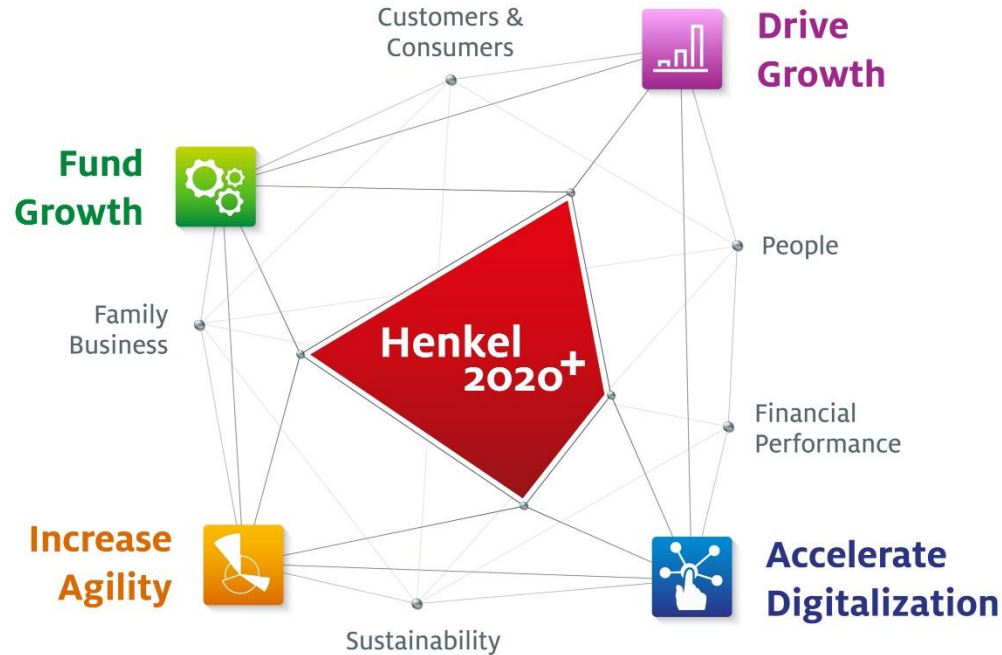
# Clear and exciting growth strategy

## Henkel 2020+: Strategic priorities



# Clear and exciting growth strategy

## Henkel 2020+: Strategic priorities and values



# | Shaping our future: Henkel 2020<sup>+</sup>

- Strong foundation based on a well-balanced portfolio
- Excellent financial performance
- Compelling ambition to deliver attractive returns
- Consistent capital allocation supporting our ambition
- Clear and exciting growth strategy going forward

| Thank You!