

# Quarterly statement Q3 2020

July–September

Good business performance despite continued difficult market conditions due to the COVID-19 pandemic

## Henkel achieves strong organic sales growth in the third quarter

- **Group sales grow organically by 3.9% to around 5 billion euros; nominal -1.5%**
- **All business units show positive development:**
  - **Adhesive Technologies with positive organic sales growth of 1.3%, nominal -4.8%**
  - **Beauty Care reports very strong organic sales growth of 4.3%, nominal 3.0%**
  - **Laundry & Home Care achieves significant organic sales growth of 7.7%, nominal 0.7%**
- **Regional sales development shows a differentiated picture: Emerging markets 8.8%, mature markets 0.6%**
- **New guidance for fiscal 2020 presented in October**

Düsseldorf, November 10, 2020 – Henkel delivered strong organic sales growth of 3.9 percent in the **third quarter of fiscal 2020** – despite the continued challenging economic environment as a result of the COVID-19 pandemic. **Group sales** totaled around 5 billion euros, corresponding to a nominal change of -1.5 percent. At the beginning of October, Henkel published preliminary figures for its sales performance in the third quarter and presented its new guidance for fiscal 2020.

“The impacts of the global coronavirus crisis continue to determine the market environment. Nevertheless, Henkel achieved a good business performance in the third quarter, with all three business units contributing. This is evidence of our robust, diversified portfolio comprised of successful brands and innovative technologies for our customers in the industrial and consumer goods businesses. Furthermore, our additional investments in marketing, innovation and digitalization are paying off. Plus, we significantly expanded our digital sales in the third quarter, increasing their total sales share to more than 15 percent,” said Henkel CEO, Carsten Knobel.

“The good performance in the third quarter is also partly due to catch-up effects from the second quarter, where the negative impacts of the COVID-19 pandemic were particularly severe. But above all, it is the result of our strong global team, which in this unprecedented and challenging time for all of us, is showing enormous commitment as it continues to contribute to the long-term success of Henkel.”

Henkel performed well in this challenging market environment in the third quarter. The **Adhesive Technologies** business unit was able to record a recovery in demand across all business areas compared to the second quarter and achieved positive organic sales growth overall compared to the same quarter of the previous year. In the **Beauty Care** business unit, the Hair Salon business also showed a recovery compared to the second quarter. Its organic sales development year on year was, however, slightly negative. Conversely, the retail business achieved very strong organic sales growth compared to the third quarter of 2019. With demand for laundry detergents and household cleaners remaining strong and thanks to catch-up effects from the second quarter, the **Laundry & Home Care** business unit was able to record significant organic sales growth, and thus continued its successful development.

“During the coronavirus crisis, we adapted flexibly and quickly to changes while continuing to vigorously pursue the agenda for purposeful growth that we introduced in March this year. With our new full-year guidance, we provided our expectations for our development over the remainder of the year. Although we assume that we will continue to feel the negative impacts of the pandemic in the fourth quarter, we do not expect to see further extensive lockdowns – such as those witnessed in the second quarter – in the core regions essential for Henkel. We are convinced that, with our strategic focus on purposeful growth, we are well positioned to emerge stronger from the crisis,” Knobel added.

## Group sales performance

In the **third quarter of 2020**, sales of the Henkel Group decreased **nominally** by -1.5 percent to 4,999 million euros. **Organically** (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 3.9 percent. At Group level, the increase was driven by volume, with price and volume developments differing between the business units. Acquisitions and divestments accounted for an increase of 0.1 percent in sales. Foreign exchange effects had a negative impact of -5.5 percent on the sales performance.

In the **first nine months of 2020**, sales decreased **nominally** by -4.5 percent to 14,485 million euros. **Organically**, Henkel registered a negative sales development of -2.1 percent, primarily due to volume effects. Over the first nine months of this year, price trends were only slightly negative. Henkel’s business performance was influenced, especially in the first six months of the year, by the negative impacts of the COVID-19 pandemic on its Industrial and Hair Salon businesses in particular. After recording the strongest decline in demand in the second quarter, Henkel’s businesses recovered significantly in the third quarter.

## Group sales performance<sup>1</sup>

in million euros	Q3/2020	1–9/2020
<b>Sales</b>	<b>4,999</b>	<b>14,485</b>
<b>Change versus previous year</b>	<b>-1.5%</b>	<b>-4.5%</b>
Foreign exchange	-5.5%	-2.6%
<b>Adjusted for foreign exchange</b>	<b>4.0%</b>	<b>-1.9%</b>
Acquisitions/divestments	0.1%	0.2%
<b>Organic</b>	<b>3.9%</b>	<b>-2.1%</b>
Of which price	0.4%	-0.2%
Of which volume	3.5%	-1.9%

<sup>1</sup> All individual figures have been commercially rounded. Addition may result in deviations from the totals indicated.

The **emerging markets** achieved organic sales growth of 8.8 percent in the **third quarter**. Organic sales development in the **mature markets** was positive at 0.6 percent. In the Western Europe region, sales declined organically by -1.2 percent year on year. By contrast, we were able to increase sales in the Eastern Europe region by 10.4 percent. In the Africa/Middle East region, we achieved organic sales growth of 13.9 percent in the third quarter of 2020. Organic sales growth was 2.9 percent in the North America region and 13.8 percent in the Latin America region. Organic sales development in the Asia-Pacific region was positive at 1.2 percent.

## Sales performance by region<sup>1</sup>

in million euros	Western Europe	Eastern Europe	Africa/Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
<b>Sales<sup>2</sup> July–September 2020</b>	<b>1,472</b>	<b>796</b>	<b>301</b>	<b>1,354</b>	<b>273</b>	<b>777</b>	<b>26</b>	<b>4,999</b>
Sales <sup>2</sup> July–September 2019	1,485	815	325	1,328	299	796	30	<b>5,077</b>
Change versus previous year	-0.9%	-2.3%	-7.2%	1.9%	-8.6%	-2.4%	–	<b>-1.5%</b>
Organic	-1.2%	10.4%	13.9%	2.9%	13.8%	1.2%	–	<b>3.9%</b>
<b>Proportion of Group sales 2020</b>	<b>29%</b>	<b>16%</b>	<b>6%</b>	<b>27%</b>	<b>5%</b>	<b>16%</b>	<b>1%</b>	<b>100%</b>
Proportion of Group sales 2019	29%	16%	6%	26%	6%	16%	1%	<b>100%</b>

<sup>1</sup> All individual figures have been commercially rounded. Addition may result in deviations from the totals indicated.

<sup>2</sup> By location of company.

In the **first nine months of 2020**, the **emerging markets** posted organic sales growth of 1.3 percent, whereas sales development in the **mature markets** was negative at -4.4 percent.

### Sales performance by region<sup>1</sup>

	Western Europe	Eastern Europe	Africa/Middle East	North America	Latin America	Asia-Pacific	Corporate	Henkel Group
<i>in million euros</i>								
<b>Sales<sup>2</sup> January–September 2020</b>	<b>4,322</b>	<b>2,240</b>	<b>956</b>	<b>3,917</b>	<b>792</b>	<b>2,177</b>	<b>81</b>	<b>14,485</b>
Sales <sup>2</sup> January–September 2019	4,583	2,273	976	3,951	970	2,321	92	<b>15,167</b>
Change versus previous year	-5.7%	-1.4%	-2.0%	-0.9%	-18.4%	-6.2%	–	<b>-4.5%</b>
Organic	-5.8%	5.8%	7.4%	-3.2%	-3.7%	-3.8%	–	<b>-2.1%</b>
<b>Proportion of Group sales 2020</b>	<b>30%</b>	<b>15%</b>	<b>7%</b>	<b>27%</b>	<b>5%</b>	<b>15%</b>	<b>1%</b>	<b>100%</b>
Proportion of Group sales 2019	30%	15%	7%	26%	6%	15%	1%	<b>100%</b>

<sup>1</sup> All individual figures have been commercially rounded. Addition may result in deviations from the totals indicated.

<sup>2</sup> By location of company.

## Sales performance Adhesive Technologies

Sales generated by the Adhesive Technologies business unit decreased **nominally** by -4.8 percent to 2,280 million euros in the **third quarter of 2020**. **Organically** (i.e. adjusted for foreign exchange and acquisitions/divestments), sales increased by 1.3 percent. Both volume and price performance were positive. Foreign exchange effects reduced sales by -5.5 percent, and acquisitions/divestments by a further -0.6 percent.

In the **first nine months of 2020**, the Adhesive Technologies business unit recorded a nominal decrease of -9.7 percent in **sales** to 6,433 million euros. **Organically**, sales decreased by -6.8 percent, due to volume effects. The COVID-19 pandemic had a severely negative impact on performance in the first and, especially, second quarter. In the third quarter, our business was still adversely affected by a decline in industrial and automotive production. Compared to the second quarter, however, a recovery in demand was recorded across all business areas.

## Sales performance Adhesive Technologies<sup>1</sup>

in million euros	Q3/2020	1–9/2020
<b>Sales</b>	<b>2,280</b>	<b>6,433</b>
Proportion of Group sales	46%	44%
<b>Change versus previous year</b>	<b>-4.8%</b>	<b>-9.7%</b>
Foreign exchange	-5.5%	-2.6%
<b>Adjusted for foreign exchange</b>	<b>0.7%</b>	<b>-7.1%</b>
Acquisitions/divestments	-0.6%	-0.3%
<b>Organic</b>	<b>1.3%</b>	<b>-6.8%</b>
Of which price	1.0%	0.4%
Of which volume	0.3%	-7.2%

<sup>1</sup> All individual figures have been commercially rounded. Addition may result in deviations from the totals indicated.

The individual business areas of the Adhesive Technologies business unit showed a mixed performance in the **third quarter**. Organic sales development in the **Automotive & Metals** business area remained below previous year's level. Following a strong decrease in sales in the first half of the year, the business area recovered significantly in the third quarter and improved over the course of the three months. In the **Electronics & Industrials** business area, the COVID-19 pandemic impacted particularly the Industrials business, which recorded a negative development. By contrast, the Electronics business posted a positive performance. The **Packaging & Consumer Goods** business area achieved good organic sales development, supported by strong growth in Consumer Goods and very strong growth in Packaging. The **Craftsmen, Construction & Professional** business area achieved very strong sales growth, driven primarily by double-digit increases in Craftsmen and Professional and very strong growth in Construction. This was partly due to positive catch-up effects after a weaker second quarter.

In regional terms, the Adhesive Technologies business unit posted very strong organic sales growth in the **emerging markets**. Sales increased in the double-digit percentage range in the Latin America and Eastern Europe regions, with significant growth being posted in the Africa/Middle East region. The Packaging & Consumer Goods and the Craftsmen, Construction & Professional businesses were the main contributors to this development. Sales performance remained stable overall in the Asia (excluding Japan) region. Very strong growth in China was not able to offset the negative developments in the other countries in the region.

In the **mature markets**, organic sales performance was below the level of the previous year overall. The Western Europe region was particularly impacted by a negative performance in the Automotive & Metals and Electronics & Industrials businesses with the significant sales growth in Craftsmen, Construction & Professional only partially able to offset the decline. The North America region was also impacted by declining demand in the business areas Automotive & Metals and Electronics & Industrials. By contrast, the Packaging & Consumer Goods business achieved strong organic sales growth.

## Sales performance Beauty Care

In the Beauty Care business unit, **sales** increased **nominally** by 3.0 percent to 999 million euros in the **third quarter of 2020**. **Organically** (i.e. adjusted for foreign exchange and acquisitions/divestments), sales grew by 4.3 percent. This performance was driven by both volume and price. Foreign exchange effects reduced sales by -3.3 percent. Acquisitions/divestments contributed 2.0 percent to sales growth.

In the **first nine months of 2020**, **sales** of the Beauty Care business unit were **nominally** down -3.9 percent year on year, at 2,818 million euros. **Organically**, sales decreased by -4.2 percent due to volume effects. Following negative developments in the Hair Salon business as a result of the pandemic in the first and, especially, second quarter, the business area saw a significant recovery in the third quarter. After a weaker first six months, sales development in the Branded Consumer Goods business was very strong in the third quarter.

### Sales performance Beauty Care<sup>1</sup>

in million euros	Q3/2020	1-9/2020
<b>Sales</b>	<b>999</b>	<b>2,818</b>
Proportion of Group sales	20%	19%
<b>Change versus previous year</b>	<b>3.0%</b>	<b>-3.9%</b>
Foreign exchange	-3.3%	-1.9%
<b>Adjusted for foreign exchange</b>	<b>6.3%</b>	<b>-2.0%</b>
Acquisitions/divestments	2.0%	2.2%
<b>Organic</b>	<b>4.3%</b>	<b>-4.2%</b>
Of which price	1.6%	0.1%
Of which volume	2.7%	-4.3%

<sup>1</sup> All individual figures have been commercially rounded. Addition may result in deviations from the totals indicated.

The **Branded Consumer Goods** business achieved very strong organic sales growth in the **third quarter**. As was the case in the second quarter, the Body Care category recorded double-digit percentage growth. The **Dial** brand in particular was able to continue its very strong performance from the second quarter. After experiencing negative development in the first half of the year, the Hair Cosmetics category achieved very strong sales growth, driven by organic sales growth in Hair Colorants in the double-digit percentage range. Hair Care also improved significantly and posted a strong sales performance. However, the Styling business performed below prior year due to the change in consumer behavior in the wake of the COVID-19 pandemic.

Although the **Hair Salon** business continued to be impacted by the COVID-19 pandemic in the third quarter, it recorded a significant recovery compared to the first six months. Year on year, growth was positive in the Western Europe region and very strong in the Latin America region. Despite negative organic sales development, the other regions still demonstrated a strong improvement in performance compared to the first half of the year.

The very strong performance in Branded Consumer Goods and the recovery in the Hair Salon business were also reflected in the regions. The **emerging markets** achieved strong organic sales growth in the third quarter. This performance was substantially attributable to significant increases in sales in the Eastern Europe and Latin America regions. Asia (excluding Japan) registered positive sales growth. By contrast, the Africa/Middle East region recorded negative sales development.

Organic sales development was very strong in the **mature markets**. Sales growth in the North America region was in the double-digit percentage range due, particularly, to the Body Care category, which also posted double-digit growth. Sales performance was positive in Western Europe, driven by both the Branded Consumer Goods and Hair Salon businesses. Conversely, performance in the mature markets of the Asia-Pacific region was negative, particularly in the Hair Salon business.

## Sales performance Laundry & Home Care

The Laundry & Home Care business unit generated sales of 1,693 million euros in the **third quarter of 2020**, corresponding to a **nominal** increase of 0.7 percent over the prior-year quarter. **Organically** (i.e. adjusted for foreign exchange and acquisitions/divestments), sales in the business unit increased significantly, by 7.7 percent. Growth was driven primarily by a significant increase in volume, compared to a slightly negative price trend. Acquisitions/divestments had no substantial impact on sales. Foreign exchange effects, by contrast, reduced sales by -7.0 percent.

In the **first nine months of 2020**, sales of the Laundry & Home Care business unit increased **nominally** by 2.7 percent to 5,153 million euros. **Organically**, the businesses of this unit achieved very strong sales growth of 5.8 percent, driven by volume. Following a very strong increase in sales in the first and second quarter of the year, the business unit recorded significant growth in the third quarter.

### Sales performance Laundry & Home Care<sup>1</sup>

in million euros	Q3/2020	1-9/2020
<b>Sales</b>	<b>1,693</b>	<b>5,153</b>
Proportion of Group sales	34%	36%
<b>Change versus previous year</b>	<b>0.7%</b>	<b>2.7%</b>
Foreign exchange	-7.0%	-3.1%
<b>Adjusted for foreign exchange</b>	<b>7.7%</b>	<b>5.8%</b>
Acquisitions/divestments	0.0%	0.0%
<b>Organic</b>	<b>7.7%</b>	<b>5.8%</b>
Of which price	-1.1%	-1.2%
Of which volume	8.8%	7.0%

<sup>1</sup> All individual figures have been commercially rounded. Addition may result in deviations from the totals indicated.

In the **Home Care** business area, we again – as in the preceding two quarters – achieved organic sales growth in the double-digit percentage range **in the third quarter**. The strong development of this business area was substantially due to the performance of our brand families **Pril, Bref** and **Somat**, all of which posted double-digit increases in the categories dishwashing products, hard surface cleaners, and WC cleaners. This trend was supported both by increased demand for household cleaners as a result of the pandemic and by our successful product innovations.

The **Laundry Care** business area recorded strong growth in the third quarter, to which heavy-duty laundry detergents contributed with a very strong performance. Our core brand **Persil** achieved significant growth, not least as a result of our innovation initiatives. The detergent caps product group generated double-digit growth, thus extending its successful performance from the first six months. Our North American brand **all** also achieved sales growth in the double-digit percentage range.

In the **emerging markets** we achieved double-digit organic sales growth in the third quarter, with the Africa/Middle East, Asia (excluding Japan) and Latin America regions particularly prominent. The Eastern Europe region recorded significant organic sales growth.

Performance in the **mature markets** was strong overall. In the North America region, especially, Laundry & Home Care achieved very strong organic sales growth. This development is partially attributable to catch-up effects from the second quarter. Sales development in the Western Europe region was good. Growth in the mature markets of the Asia-Pacific region was in the double-digit percentage range.

## **Net assets and financial position of the Group**

Compared to June 30, 2020, there were no substantial changes in the net assets and financial position of the Group in the period under review.

## **Outlook for the Henkel Group**

On April 7, 2020 – as a result of the dynamic spread of the COVID-19 pandemic and the high level of uncertainty about the impact and development of the global economy – the Management Board of Henkel AG & Co. KGaA decided to no longer maintain the forecast for fiscal 2020 that was given in the combined management report for 2019.

Based on business development in the first nine months of 2020 and assumptions regarding the business performance in the fourth quarter, the Management Board of Henkel AG & Co. KGaA approved a new outlook for fiscal 2020 on October 9, 2020.

Due to the effects of the COVID-19 pandemic, a strongly negative development of the global economy is expected in fiscal 2020. The new outlook is based on the assumption that, in the fourth quarter, industrial demand and business activity in areas of importance to Henkel will be below prior year but will not deteriorate significantly. The decisive factor in this context will be the further development of global infection rates and pandemic-related



restrictions. In formulating its guidance, Henkel assumes that, in the core regions essential for the company, there will be no far-reaching lockdowns in the fourth quarter of 2020.

Taking these factors into account, the **Henkel Group** expects **organic sales growth** of between -1.0 and -2.0 percent in fiscal 2020.

For the **Adhesive Technologies** business unit, which is likely to be significantly impacted by a sharp decline in general industrial demand and, in particular, in the automotive industry, Henkel anticipates organic sales growth in the range between -5.5 and -6.5 percent. For the **Beauty Care** business unit, Henkel currently anticipates organic sales growth in the range between -2.0 and -3.0 percent. A significant decline in the Hair Salon business due to the pandemic will have an impact on this business unit in the full fiscal year, while growth is anticipated in the Branded Consumer Goods business. For **Laundry & Home Care**, Henkel expects organic sales growth in the range between +4.5 and +5.5 percent.

We expect the contribution to nominal sales growth of the Henkel Group from acquisitions in 2019 and 2020 to be in the low single-digit percentage range. The translation of sales in foreign currencies is expected to have a negative effect in the low to mid-single-digit percentage range.

At **Group** level, Henkel expects to achieve an **adjusted return on sales (adjusted EBIT margin)** in the range between 13.0 and 13.5 percent. For the **Adhesive Technologies** business unit, Henkel expects an adjusted EBIT margin in the range between 14.5 and 15.0 percent, for **Beauty Care** in the range between 10.0 and 10.5 percent and for **Laundry & Home Care** in the range between 15.0 and 15.5 percent. The decline in sales in the Industrial and the Hair Salon businesses due to the pandemic will have a negative impact on the adjusted EBIT margin. As announced at the beginning of the year, Henkel is also increasing investments in marketing, advertising, digitalization and IT.

**Adjusted earnings per preferred share (EPS)** at constant exchange rates are expected to decline in the range between -18.0 and -22.0 percent.

Furthermore, we have the following expectations for 2020:

- Restructuring expenses of 250 to 300 million euros
- Cash outflows from investments in property, plant and equipment and intangible assets of between 650 and 700 million euros

## 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. 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 2019, Henkel reported sales of more than 20 billion euros and adjusted operating profit of around 3.2 billion euros. Henkel employs more than 52,000 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).

This document contains statements referring to future business development, financial performance and other events or developments of future relevance for Henkel that may constitute forward-looking statements. Statements with respect to the future are characterized by the use of words such as "expect", "intend", "plan", "anticipate", "assume", "believe", "estimate", and similar terms. This information contains forward-looking statements which are based on current estimates and assumptions made by the corporate management of Henkel AG & Co. KGaA. 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 (both negatively and positively). 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 forward-looking statements.

This document includes supplemental financial indicators that are not clearly defined in the applicable financial reporting framework and that are or may be alternative performance measures. When assessing the net assets, financial position and results of operations of Henkel, these supplemental financial indicators should not be viewed in isolation or as alternatives to the financial indicators presented in accordance with the applicable financial reporting framework in the Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

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# Financial calendar

## **Publication of Report for Fiscal 2020:**

Thursday, March 4, 2021

## **Annual General Meeting Henkel AG & Co. KGaA 2021:**

Friday, April 16, 2021

## Contacts

### **Investors & Analysts**

#### **Lars Korinth**

Phone: +49 (0) 211 797-1631

E-mail: [lars.korinth@henkel.com](mailto:lars.korinth@henkel.com)

#### **Mona Niermann**

Phone: +49 (0) 211 797-7151

E-mail: [mona.niermann@henkel.com](mailto:mona.niermann@henkel.com)

#### **Dorothee Brinkmann**

Phone: +49 (0) 211 797-5299

E-mail: [dorothee.brinkmann@henkel.com](mailto:dorothee.brinkmann@henkel.com)

### **Press & Media**

#### **Lars Witteck**

Phone: +49 (0) 211 797-2606

E-mail: [lars.witteck@henkel.com](mailto:lars.witteck@henkel.com)

#### **Wulf Klüppelholz**

Phone: +49 (0) 211 797-1875

E-mail: [wulf.klueppelholz@henkel.com](mailto:wulf.klueppelholz@henkel.com)

#### **Jennifer Ott**

Phone: +49 (0) 211 797-2756

E-mail: [jennifer.ott@henkel.com](mailto:jennifer.ott@henkel.com)

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