Henkel delivers very strong organic sales growth and significant earnings improvement in 2023

Accelerated implementation of strategic growth agenda in a challenging environment.

"Despite market challenges, Henkel achieved robust growth and improved profitability in 2023, surpassing initial forecasts," said Henkel CEO Carsten Knobel. "We experienced strong organic sales growth, particularly in Adhesive Technologies and Consumer Brands. The integration of Laundry & Home Care and Beauty Care into the new Consumer Brands unit progressed ahead of schedule, contributing to our overall performance. In Adhesive Technologies, organizational realignment and customer-centric approaches drove sales and earnings growth amidst industrial volatility. Strategic acquisitions further bolstered both business units. I would like to sincerely thank all Henkel employees for your teamwork and dedication which enabled us to navigate our company through these challenging times."

Group sales and earnings performance in fiscal 2023

Henkel Group sales reached 21,514 million euros in fiscal 2023, a nominal decrease of -3.9 percent compared to the prior year. Foreign exchange effects negatively impacted the sales development by -4.3 percent. At -3.9 percent, acquisitions/divestments had a negative impact on sales, which was mainly due to the divestment of the business activities in Russia. Organic sales growth was very strong at 4.2 percent. This development was driven by a price increase in the high single-digit percentage range, while volumes declined. In the second half of the year, however, there was a clear sequential improvement in the volume development.

The Adhesive Technologies business unit generated strong organic sales growth of 3.2 percent, which was driven by the business areas Mobility & Electronics, as well as Craftsmen, Construction & Professional. The Consumer Brands business unit achieved very strong organic sales growth of 6.1 percent, driven particularly by the Laundry & Home Care and Hair business areas.

Adjusted operating profit (adjusted EBIT) significantly increased by 10.2 percent to 2,556 million euros (previous year: 2,319 million euros). Positive selling price developments, ongoing measures to reduce costs and enhance production and supply chain efficiency, and portfolio optimization measures more than offset negative impacts on Group profitability from continued high prices for direct materials and logistics.

Adjusted return on sales (adjusted EBIT margin) in fiscal 2023 was significantly higher year on year at 11.9 percent (2022: 10.4 percent).

Adjusted earnings per preferred share also increased significantly by 11.5 percent to 4.35 euros (previous year: 3.90 euros). At constant exchange rates, adjusted earnings per preferred share increased by 20.0 percent.

Net working capital as a percentage of sales amounted to 2.6 percent, thus coming in substantially lower than the prior-year level (2022: 4.5 percent) particularly due to lower inventories.

Free cash flow reached a new high of 2,603 million euros, representing a significant increase compared to the previous year (2022: 653 million euros). This was due to much higher cash flow from operating activities resulting from higher operating profit and lower net working capital.

As a result, the net financial position improved significantly to 12 million euros (December 31, 2022: -1,267 million euros).

The Management Board, Supervisory Board and Shareholders' Committee will propose to the Annual General Meeting on April 22, 2024, an unchanged dividend compared to the previous year of 1.85 euros per preferred share and 1.83 euros per ordinary share. This equates to a payout ratio of 42.4 percent, slightly above the target bandwidth of 30 to 40 percent.

Business unit performance in fiscal 2023

In fiscal 2023, sales of the Adhesive Technologies business unit reached 10,790 million euros and was thus – due to negative foreign exchange effects – nominally -4.0 percent below the previous year's level. Organically, sales increased by 3.2 percent. This sales growth was driven by a very strong price development compared to prior year. Volumes declined overall, mainly due to demand remaining muted in some key end markets. As the year progressed, volume development showed a sequential recovery, recording a stable level in the fourth quarter.

Sales in the Consumer Brands business unit totaled 10,565 million euros in fiscal 2023 and was thus -3.3 percent below the prior year in nominal terms. Foreign exchange effects reduced sales by -4.4 percent.

Outlook 2024

Moderate growth in global economic output is expected for 2024. This assumes a moderate increase in both industrial demand and consumer demand in key areas of the consumer goods business for Henkel.

Henkel expects to generate organic sales growth of between 2.0 and 4.0 percent in fiscal 2024, with both business units anticipated to grow within this range. Adjusted return on sales (adjusted EBIT margin) is expected in the range of 12.0 to 13.5 percent. For adjusted earnings per preferred share (EPS) at constant exchange rates, Henkel expects an increase in the range of +5.0 to +20.0 percent.