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PRESENTATION

Operator

Good morning, and welcome to the Henkel conference call. (Operator Instructions). I would now like to hand over to Leslie Iltgen, Head of Investor Relations. Please go ahead.

Leslie Iltgen - *Henkel AG & Co KGaA - Head of Investor Relations*

Thank you, and good morning to everyone here on the call. A warm welcome to everyone joining Henkel's Q1 2025 results conference call today. I'm Leslie Iltgen, Head of Henkel's Investor Relations. Today, I'm joined by our CEO, Carsten Knobel, and our CFO, Marco Swoboda.

Carsten will begin with an overview of the key developments and highlights in the first quarter. Marco will follow with a more detailed review of the financial performance. As always, following the presentation, we will open up the lines and Carsten and Marco will be happy to take your questions.

Before handing over to Carsten, please let me remind you that this call will be recorded and a replay will be made available on our Investor Relations website shortly after this call. By asking a question during the Q&A session, you agree to both the live broadcasting as well as the recording of your question, including salutation to be published on our website.

Also, please be reminded that this presentation contains the usual formal disclaimer in regard to forward-looking statements within the meaning of relevant US legislation. It can also be accessed via our website at henkel.com. As always, the presentation and discussion are conducted subject to this disclaimer.

With this, it is my great pleasure to hand over to our CEO, Carsten Knobel. Carsten, please go ahead.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Thanks, Leslie, and a warm welcome also from my side to everyone joining our conference call today. And as always, we do appreciate your interest in our company, and we look forward to answering your questions. After walking you through the key developments of the first quarter, we will elaborate on Henkel's business performance and the full year outlook in more detail.

So let me move straight to the key topics and the highlights of the first quarter. Our first quarter top line came in softer, in line what we had indicated in our full year call in March. On Group level, Henkel recorded a minus 1% organic net sales growth. Our consumer business reported minus 3.5% and thus came in within the expected range, also reflecting high prior year comparables due to strong innovation launches in the first half of 2024.

Pricing continued to be positive. Volume development was in the negative territory, reflecting muted consumer sentiment; customer destocking, particularly in the US, as well as supply chain challenges, which, in the meantime, we have mainly solved.

We also succeeded in closing the divestment of our Retailer Brands business in North America earlier than initially anticipated. And with that, we concluded our strategic portfolio optimization program, which we had announced early 2022.

Adhesive Technologies delivered organic net sales growth of plus 1.1% for the first quarter despite the negative working day impact, which accounts for slightly more than 1 percentage point. So adjusted for this working day impact, organic sales growth would have been above 2%. Also, we saw a good balance between volumes and pricing both being in positive territory.

In addition, we also saw strong margins of both gross profit and EBIT, which is quite encouraging to see. And despite the fact that we are operating in an environment that has become significantly more challenging since the beginning of the year, our outlook for 2025 remains unchanged. We expect a top line acceleration in the course of the year and thus a stronger second half and bottom line well within our guidance range.

And with that, let us take a closer look at some of the highlights across the Group. We started the year with strong gross and EBIT margins. In regard to capital allocation, we continue to build on M&A as an integral part of our strategy with a promising and a well-filled pipeline. And in addition, we are also just about to start our new share buyback of up to EUR1 billion, which we plan to conclude by Q1 2026, at the latest.

In Adhesive Technologies, our strong global footprint and leading market positions enhanced the continued strong performance, in particular in electronics and industrials. In Consumer Brands, we are keeping up with strong investments behind our brands and innovations, while further expanding our global footprint.

For example, by closing geographical white spots to fuel growth with particular focus on our top brands. Particularly now, as we have successfully closed the Retailer Brands divestments earlier than initially expected, we can focus even more on the top branded products in North America, supported by tech-driven innovations to enhance valorization. And as you can see, we are continuously driving our businesses along clear strategic priorities to fuel further profitable growth.

Now taking a closer look at what the main growth drivers are currently, Electronics and Industrials clearly stand out. And what is driving this? In Electronics, which showed double-digit growth in the first quarter, we see a strong surge in demand for high-performing components, fueling market growth and increasing the need for innovative solutions.

A good example is the AI-driven PC market, which is expected to more than double in size by 2028 and which drives growth in the semiconductor packaging. Another good example are growth opportunities we see in the area of Consumer Devices such as smartphone cameras. By 2030, the number of smartphone cameras is expected to grow by more than 20% unlocking new opportunities in bonding and in sealing.

Looking at Industrials, where we saw strong growth in Q1, we continue to outperform markets across different segments, building on the strong portfolio of customer-centric solutions we have. In Aviation, for instance, we are currently expanding capacities in our certified production plant in Spain in light of high order backlog in the industry. The aviation market is expected to grow in the high single-digit percentage range in the next years.

Another example in Industrials is Data and Telecom. The market is anticipated to grow high single-digit over the next years, particularly driven by the continued expansion of data centers with advanced thermal requirements.

Moving to the next slide. I would like to share one specific example from the steel industry as to how we create competitive advantage with innovative solutions in our Industrials business. With our Metal Coil business, we are serving end markets like building construction and household appliances early on in the value chain. Here, hexavalent chromium was long seen as the only option to prevent corrosion on metal. However, it requires specialized safety measures resulting in higher operational efforts.

As the first to the market, we developed hex-chrome free technologies under our Bonderite brand that deliver best-in-class corrosion resistance while prioritizing worker safety and the environment. Building on our clear competitive edge, we are driving our customers' transition to new advanced technologies. Today, we are the global market leader for hex-chrome free technologies for the steel industry underpinned by a portfolio of 13 granted patents to date.

Our strong know-how and our close customer collaboration is reflected in our excellent performance. We have been outperforming the market and delivering a double-digit growth over the past 4-years with these innovative solutions.

Now turning to our Consumer Brands. I would like to walk you through the excellent progress we have made thus far in transforming the business while significantly improving the quality of the business across multiple dimensions ever since we went live with the merger in early 2023.

This is the largest transformation at Henkel over the past decade. We changed the organizational setup of the business, actively shaped our portfolio by executing the portfolio optimization program, which, in the meantime, has been successfully concluded, and we are currently working heavily to finalize the supply chain optimization measures.

These measures already led to a much better mix, significant efficiency gains and savings, which came in faster and are even higher than what we had originally anticipated. While at the same time, we are investing clearly more behind our brands, including marketing spend and R&D.

And being even more specific and talking in numbers. We saw an average 4.5% organic sales growth over the last 2-years. Sales remained more or less stable in absolute numbers despite the fact that we divested our business in Russia and executed the portfolio optimization program, which in total accounted for around EUR2 billion in sales.

We were able to increase the gross margin of the business significantly by 1,100 basis points. We increased our investment in marketing and R&D significantly. And at the same time, we were able to increase the adjusted EBIT margin by 520 basis points.

Also, net working capital improved significantly by [290 basis points] (corrected by company after the call) ever since we announced the merger. To be fair, we are still not satisfied with the volume development, and thus, top line growth. However, with these steps, we have significantly improved the quality of the business and thus, laid the foundation for solid sustainable and profitable growth going forward towards our mid-term ambition.

With a more focused portfolio, particularly on branded products and tech-driven innovations, the continued valorization process and the optimized cost structures we are getting closer and closer to our mid-term ambition.

However, we had to work on getting better first and improve our portfolio and profitability overall, which now allows us to reinvest into the business even more and driving getting bigger and continue to grow the business going forward. But we want to achieve that in a sustainable, balanced and in a healthy way without cutting back on investment behind our brands. We can now build on the achieved milestones and are clearly committed to our mid-term ambition calling for 3% to 4% organic sales growth and an adjusted EBIT margin in the mid-teens percentage range.

Now turning to our top brands. We continue to see strong growth momentum among our top 10 brands in the portfolio, which in the meantime have increased to around 60% of our sales ever since we divested the retailer branded business in North America.

These brands have been continuously outperforming organic sales growth of the business unit by around 400 basis points over the past two years. As in the past, we built on a strong innovation track record also in 2025 and expect more impactful launches in the quarters to come and beyond. Among others, our pipeline includes launches under our top brands, such as 'all' in North America, Persil, Bref, Somat, in the second half of 2025.

Of course, all our innovations aim to bring additional benefits to our consumers and to capture additional category growth. With these top brands and tech-driven innovations, we are bringing to the market, we continue to drive the valorization of our portfolio.

And to give you a clear feasible example, Perwoll in the meantime, is the number 1 brand in the fabric care market globally and a great example for successful brand development with more than 20% growth over the past three years. Under Perwoll, we have different formulations, and just recently, we launched the first fabric care product for all light colors, including white colors based on our innovative triple renew technology.

This superior technology removes grayness, smoothens fibers and provides a premium long-lasting scent. We saw market share gains of more than 100 basis points year-to-date 2025 in fabric care. With new country rollouts, we fill geographical white spots, and further expand our global footprint.

Another feasible example in Hair is our number one Masterbrand Schwarzkopf, in the meantime, accounting for more than EUR1 billion of sales. It is an excellent example of how we successfully leverage our hair expertise across the Consumer and the Professional business that we have in our portfolio with tech-driven innovations.

Within our Masterbrand Schwarzkopf, the Consumer part – comprising the categories, color, care and styling – recorded above 6% growth over the last three years. Let's take a closer look at an innovation we just recently launched.

Cream Supreme. Cream Supreme is the first caring coloration with an innovative bonding technology referred to as bonding haptiq system. This technology protects the hair from being damaged during the entire coloration process and ensures beautiful, luminous and even color results at home. The launch was supported by a strong marketing campaign and hence, contributed to strong organic net sales growth of in our Hair Consumer business in Q1.

Now turning to our 2025 outlook. Despite the fact that we are operating in an environment that has become significantly more challenging since the beginning of the year, our outlook for 2025 remains unchanged. Expecting 1.5% to 3.5% organic net sales growth and adjusted EBIT margin of 14% to 15.5% and a low to high single-digit percentage increase in our adjusted EPS at constant exchange rates.

We also still expect a stronger second half of the year. Among the main drivers are the following. In Adhesive Technologies, we expect an acceleration of top line performance supported by better mix and the partial reversal of the negative working day impact in the second half.

In Consumer Brands, we have a well-filled innovation pipeline with stronger top line contributions expected in the second half of the year while investments in marketing and R&D remain on elevated levels. Also, the supply chain related topics have been mainly resolved already in the meantime. Furthermore, we see our more recent acquisitions contributing in both businesses, including first benefits from the early closing of the Retailer Brands divestment in Consumer Brands. Beyond these drivers, we are well underway to achieve the given margin guidance range.

And with that, let me hand over to Marco for some more details on our financial performance in the first quarter. So Marco, please.

Marco Swoboda *- Henkel AG & Co KGaA - Executive Vice President - Finance, Purchasing, Global Business Solutions and Member of the Management Board*

Yeah. Thanks, Carsten. And good morning to everyone in the call also from my side. So building on what Carsten already shared, let me provide some more color on the drivers of the Group sales performance in the first three months of fiscal 2025. Organic sales growth came in at minus 1% in the first quarter and thus reflected a softer start into the year, in line with what we had indicated in our full year call in March. On Group level, pricing contributed with plus 1.4%, while volumes were below prior year, more on the business unit specifics, like always, in a minute.

Acquisitions and divestments increased sales by 1.1%, particularly driven by the recently closed acquisitions of Seal for Life and Vidal Sassoon. However, for the full year, we still expect a low single-digit negative impact on sales, mainly driven by the divestment of our Retailer Brands business in North America.

FX effects were a headwind of 1.4% in Q1. And given the reasonably weaker dollar, we expect the headwind to accelerate in the course of the year. In nominal terms, sales amounted to EUR5.2 billion, that's 1.4% below the prior year quarter.

And now turning to the drivers in the respective regions in more detail. Starting with Asia Pacific, where we achieved good organic sales growth of plus 3.6%. The Adhesive Technologies business contributed with a significant increase, which was particularly driven by the continued growth dynamics of our Electronics business in China.

In contrast, the Consumer Brands business was below prior year quarter, also reflecting supply chain challenges, as communicated previously. India-Middle East-Africa grew by 4.6% with contributions from both business units. And in Latin America, we achieved growth of 1.5%.

Consumer Brands came in below prior year mainly due to Laundry & Home Care and the supply chain challenges, while Hair recorded very strong growth. In Adhesive Technologies, we recorded very strong growth, mainly supported by double-digit increase in mobility and electronics.

And moving on to Europe, where sales were below the prior year quarter in both business units. In Adhesive Technologies, this was mainly due to Craftsmen, Construction & Professional. In Consumer Brands, Laundry & Home Care was down year-on-year, while Hair showed a good development.

In North America, sales declined by 5.6% in an overall challenging environment. In Adhesive Technologies, this was primarily due to the negative development of Mobility & Electronics impacted by the overall development in the automotive market, also reflected in a negative light vehicle production index of minus 8% for the region, i.e., North America, in the first quarter as well as Packaging & Consumer Goods also impacting our sales in North America.

And in line with expectations, the development in Consumer Brands reflected the subdued consumer sentiment, customer destocking and the overall increased uncertainty in the region. Ultimately, the development in North America materially affected the overall performance of both business units.

So now back to the global level and starting with Adhesive Technologies. We reached sales of EUR2.7 billion in the first quarter. Organic sales growth was 1.1% backed by a balanced price and volume mix. And this despite the negative working day impact, which accounted for slightly more than 1 percentage point in the first quarter. Overall, Adhesive Technologies showed a very robust development in a challenging market environment. Pricing remained robust, which clearly shows the strength of our market position and the portfolio.

Volume development was also in the positive territory and adjusted for the pronounced impact of more than 1 percentage point, resulting from a lower number of working days in the first quarter, OSG would have been above 2%. As Carsten mentioned earlier, we expect top line performance to accelerate in the course of the year, leading to a stronger second half, particularly driven by volumes, while pricing is expected to remain flattish and thus robust.

Let me now turn to the performance in the individual business areas where we saw different dynamics. Mobility & Electronics was again the main growth driver with a plus of 3.1%. This increase was mainly driven by double-digit growth in Electronics and strong growth in Industrials. This could more than offset the muted performance of Automotive.

Packaging & Consumer Goods recorded a slightly negative development. Packaging was supported by an ongoing recovery in demand, while performance in Consumer Goods was slightly below prior year, also reflecting softer markets. Craftsmen, Construction & Professional delivered organic sales growth of 0.4%. This was particularly driven by good development in Consumers & Craftsmen as well as Construction.

Now moving to Consumer Brands. The business generated sales of EUR2.5 billion. Organic sales growth was minus 3.5%, and thus, within the expected range and reflecting high prior year comparables due to strong innovation launches in the first half of 2024.

Please note that in 2025, top line contribution from innovation launches will be more skewed towards the second half. Pricing was positive at 2%. And as communicated previously, volume development was in the negative territory, reflecting muted consumer sentiment, customer destocking and supply chain challenges.

Continued positive pricing reflects the ongoing valorization of our portfolio with strong innovations and sustained elevated marketing investments. As mentioned, volume development reflects the subdued consumer sentiment and customer destocking, particularly in the US, as well as supply chain challenges, which, in the meantime, we have mainly solved.

As you know, this includes issues in the production side in Mexico, the change of provider in China in the course of the Vidal Sassoon integration with which we had doubled our sales in the country. We expect the volume development to sequentially improve in particular in the second half, supported by the fact that the supply chain challenges will have been resolved and a high sales contribution from innovation launches in the second half. Last, but not least, we will continue with our strong investments behind our brands to fuel further growth.

And now looking at the performance by business area. Laundry & Home Care reported organic sales growth of minus 4.1%. Laundry Care was negative due to Fabric Cleaning, while Fabric Care continued to deliver very strong growth with strong contribution from our top Fabric Care brand Perwoll. Home Care delivered good growth, driven by significant growth in the dishwashing category with strong contributions from our key brands Pril and Somat. Growth in Hair, which comprises both the Professional and the Consumer business, remained below prior year levels.

The Professional business was impacted by the muted consumer sentiment and consequently, less salon traffic, particularly in North America. In contrast, the Hair Consumer business delivered positive growth, mainly driven by Coloration and Styling with strong contribution from our Megabrand Schwarzkopf as well as Syoss.

In Other Consumer Businesses, the growth remained below prior year's levels due to Body Care in North America and Europe. Now looking at macro expectations for fiscal 2025. In line with what we already told you in March, we see an increasingly volatile economic and geopolitical environment. As a result, several research institutes across the globe have lowered their growth expectations in regard to both industrial and also consumer markets.

The global economy is expected to only grow at a more moderate pace in 2025. Amongst others, industrial production index and light vehicle production expectations have been lowered. Also, consumer spending is expected to be more muted versus the expectations at the beginning of the year, reflecting the generally subdued sentiment and the overall high uncertainty, in particular in North America.

Inflation is expected to remain on elevated levels. And when it comes to currencies, we expect markets to remain highly volatile, also as a result of the current tariff implementations. The same also holds true for raw material prices.

While we consider the direct impact from tariffs as manageable due to the fact that we source and produce the vast majority domestically, and this is true for both business units, the indirect impact on the overall economy remains uncertain.

Looking at the US, for instance, this applies to around 90% of materials that we source and finished goods we produce. Besides the fact that we have already accounted for the high volatility with relatively wide guidance ranges, we are already implementing countermeasures in regard to sourcing and pricing to mitigate the impact. Of course, we will continue to monitor the situation closely.

Closing this chapter with our outlook for fiscal 2025, which remains unchanged. Despite the fact that we are operating in an environment that has become significantly more challenging since beginning of the year, we continue to expect organic sales growth of 1.5% to 3.5% for the Group.

For Adhesive Technologies, we guide 2% to 4%. And in Consumer Brands, we guide for 1% to 3%. In terms of phasing, we anticipated a slower start to 2025. However, we expect organic sales growth to accelerate in the course of the year, leading to a stronger second half of fiscal 2025 versus the first half.

This holds true for both business units. For the adjusted EBIT margin, we continue to anticipate a level of 14% to 15.5% on Group level backed by already strong performance in the first quarter. For Adhesive Technologies, we expect 16% to 17.5% and for Consumer Brands, 13.5% to 15%.

And for adjusted EPS growth at constant currencies, we continue to expect an increase in the low to high single-digit percentage range. Our expectations regarding FX, A&D, direct material prices, restructuring expenses and CapEx for fiscal 2025 remain unchanged. Although, as already mentioned earlier, we do see a high level of volatility, in particular when it comes to currencies and here, we expect the headwind that we see in Q1 to accelerate in the course of the year.

And with that, back to you, Carsten.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Thank you, Marco. So let me summarize today's key takeaways. Our first quarter results came in below prior year levels, in line with what we had indicated in our full year call in March. Pricing contributed positive in both business units. Our Consumer business reported a minus 3.5% and thus, came in within the expected range, also reflecting high prior year comparables due to strong innovation launches in the first year of 2024.

Pricing continued to be positive. Volume development was in the negative territory, reflecting muted consumer sentiment and customer destocking, particularly in the US, as well as the supply chain challenges, which in the meantime have been mainly solved.

Adhesive Technologies delivered organic sales growth of plus 1.1% for the first quarter, despite the negative working day impact, which accounts for slightly more than 1 percentage point. Adjusted for this working day impact, organic sales growth would have been above 2%. Also, we saw a good balance between volumes and pricing both being in positive territory.

In the meantime, we also succeeded in closing the divestment of our retailer branded business in North America earlier than initially anticipated. And with that, we concluded our strategic portfolio optimization program, which we had announced early 2022.

In addition, we also saw strong margins, both gross profit and EBIT, which is quite encouraging to see. And despite the fact that we are operating in an environment that has become significantly more challenging since the beginning of the year, our outlook for 2025 remains unchanged. We expect top line acceleration in the course of the year and for the stronger second half and bottom line, well within our guidance range.

And with this, let us move on to the Q&A. Marco and I are looking forward to taking your questions, as always.

QUESTIONS AND ANSWERS

Operator

Thank you. Mr. Knobel (Operator Instructions).

Guillaume Delmas, UBS.

Guillaume Delmas - *UBS AG - Analyst*

Thank you very much and good morning Carsten and Marco. A couple of questions for me, please. The first one is on your volume growth, specifically in Consumer Brands. Can you maybe help us unpack, I mean, all the different moving parts that affected your volumes in Q1, so like the customer destocking, supply chain challenges, portfolio optimization.

Basically, what I'm trying to get to is on an ex one-off, ex temporary factor basis, what would volumes have been in Q1? Will it still be negative, maybe flat? And I guess, it's just to give us a little bit of an idea of the underlying run rate for this business that should become visible from Q2?

And also on this, at the time of the full year results in early March, you were expecting volumes to be positive for the year in Consumer Brands, just wondering if it is still the case? And then my second question on your margin guidance. You mentioned some strong growth and EBIT margin development in Q1. Likewise, you expect strong expansion for the year. Yet, you haven't updated your 2025 margin guidance like you did in Q1 last year. So how should we reconcile this?

Are you basically saying that you're well on track to deliver towards the top end of that margin guidance at this stage, but given how volatile and uncertain the macro is, you would rather keep for now a wide range of outcomes?

Thank you very much.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Good morning, Guillaume. So thank you for your questions. So let's get started with your volume growth question. So as pointed out, the drivers for that volume development is, on the one side, reflected to the subdued consumer sentiment, it's particularly also to the customer destocking, particularly in the US.

And also as you're rightly saying, as we pointed that out during our full year call related to the supply chain challenges, which, in the meantime, and I think that's important, have been mainly solved. There will be some, and I think we also indicated that there is an impact still also in the complete first half, and nevertheless, to a minor part because, as I said, the majority of these things have been solved.

I hope that you understand that we will not go into every detail what these individual topics have an impact. But what you can take into account is, if you take on the one side, the market situation, I mean, the consumer sentiment; and on the other side, our supply chain challenges that this is roughly a similar magnitude in that.

So that's for that part. You had a second part in that, which was related to the full year and the question of positive volumes, which we indicated in our full year 2024 call in March. And there is no change on that. That means we stick to our top line guidance for Consumer Brands, which is in the range of plus 1% to plus 3%. And our ambition in that context is also that we would like to get the volumes into slightly positive territory and there is no change on that.

And the confidence behind that is, as we also indicated in our full year call, is the innovation pipeline for the second half of the year, which is different to in last year, where you remember where we told you that this was front-end loaded with first half year in 2024. That's to the situation of your first question.

Coming to the second, which is related to our profitability. And again, as Marco pointed that out and also myself, I think we are very satisfied with our gross margin development in terms of start into the year, which is also something which we see in the course of starting into the second quarter in terms of April results and not only gross profit, but also strong bottom line margins.

And I think you answered the question a little bit by yourself. Looking at the situation in which we are currently in, the volatility, the uncertainty, the things which are happening, we have on purpose taken a little bit wider range at the beginning of the year. And I think that's also, I would say that was a good decision to do that.

We said today that we will be well within that range. And I hope you understand that at that point, we will not further detail it out at this point of time in the case of if that is at the top of that range or if we would change that range, I think it's well in that range. And that's, I think, for now, the right statement. I hope that answers your question, Guillaume.

Operator

Fulvio Cazzol, Berenberg.

Fulvio Cazzol - *Berenberg Bank - Analyst*

Yes, good morning and thank you for taking my two questions. The first one is on the Fabric & Home Care business in Europe, which declined in Q1. I was just wondering if you can provide a bit more color on what the drivers of this particular region were? Because I'm just wondering, is it the softer category or is it some market share developments have also not been favorable?

I know you've got different country exposures, but Unilever, I think, reported high single-digit growth in their European fabric cleaning business in Q1. So I'm just trying to understand why the growth was so contrasted between the two companies?

And then I'm sorry for repeating the similar question to Guillaume, but in terms of the guidance for the rest of the year for the Consumer Brands division, I think it implies between 2.5% to 5% organic growth for the rest of the year.

And as you highlighted during the presentation, we need to see a meaningful inflection in volume growth for the business to achieve this and considering the consumer backdrop, which was quite subdued, I was wondering what is going to underpin this inflection? I mean is your innovation pipeline really enough or are you also relying on a recovery in the consumer sentiment in order to achieve that level of growth for the rest of the year?

Thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Yeah, good morning, Fulvio. Thanks for your two questions. So first, to your first one, which is what's related to Fabric Home Care, specifically in Europe. Europe recorded a negative OSG, as you pointed out, that was mainly due to a muted performance in Laundry & Home Care as well in other consumers.

And the pressure here is on household budgets that is still visible. And hence, private label shares are still on elevated levels, in particular, in the Laundry & Home Care business. I think that's something which is not new, that is something which is accompanying us for years and decades.

And in that context, I would say we lost also certain market shares that's correct on that, but that is also attributed to the thing I just said before. And for sure, it's always difficult to compare the one performance of a company to the other one.

So therefore, I cannot comment what in the context of Unilever happens or not happens. But I think that is the situation. And only as a reference point, by contrast, we saw a positive performance in Hair in Europe, in that context. So I think it's within these volatile times and critical times, there is a shift to private label and the exposure of private label in Laundry & Home Care is stronger elsewhere in any other region related to that. That's maybe to the first.

And to the second, as you said, it was more or less also already asked by Guillaume in that context. We continue to drive profitable growth by launching really impactful innovation, which addresses relevant consumer needs. And I think important is, we highlighted this again, that I think it is also important to support that with relevant investments in marketing in that context.

And we have done that in the years '23, '24 to a significant higher level. And that is something which we continue to do and to see also in the course of 2025, which was part in Q1, and this will continue also throughout the whole year. And that is definitely a point which makes us confident that we will reach also the context of 1% to 3%, which we have guided.

Another proof point is our top 10 performance of our top 10 brands, which significantly outperforms in terms of top line perspective. I mentioned that more than 400 basis points better growth if you take the last couple of years in context since we have been going into the merger, which is also valid in Q1 because you're looking for proof points why an acceleration of the top line performance can be.

The other point is definitely that we have been solving the supply chain challenges, mainly in Q1, there will be a spillover effect of certain parts in beginning of Q2. And the other part, we are seeing customer destockings leveling out, especially in North America, which is also another, I would say, proof point that things which will go better for the supply chain topics. We have also seen in April proof points that these things have been solved.

You have heard Marco talking about this situation in Asia when it comes to supply chain. That is what we see with really good OSG developments in April in that context. Same is with the destocking of customers in North America, especially in the professional area, where we have been also seeing good growth in North America.

So a couple of points where we definitely believe that what we just said is that we are sticking to our guidance and that we have the ambition of positive, or bring positive volumes for the full year 2025 that we are sticking to that.

For sure, it's ambitious, that's clear, but that's what we're here for, and that's what we are working on. Hope that helps.

Fulvio Cazzol - *Berenberg Bank - Analyst*

It does.

Operator

Rashad Kawan, Morgan Stanley.

Rashad Kawan - *Morgan Stanley - Analyst*

Hey, good morning, Leslie Carson and Marco. Thanks for taking my questions. First one, just obviously, clearly, the environment has changed since you last reported, you've talked about that in your remarks in the first few questions. Can you dig into that a bit more in terms of what you're seeing on the ground around changing consumption habits across both businesses?

And then second question, can you talk through the outlook for the different industrial end markets you're exposed to? I mean autos clearly impacted by the uncertainty we're seeing in Electronics, very strong growth in China, in particular. Has there been a pull-through in demand ahead of tariffs there?

And just given the uncertain environment overall and the more negative sentiment from what we’re hearing from your chemicals peers, what gives you confidence that you can still deliver on the Adhesives guidance for the year and improve over the course of the year, like you said?

Thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Good morning. So let's start again. The consumption, I think, was your point on both businesses in that context, so the overall consumer sentiment is increasingly impacted by the global uncertainty. However, it also continues to be more robust in Europe in comparison to the US. For instance, when we observed the salon traffic in the US, so the less salon traffic in the US. On the other side, I just made the comment of the destocking, especially for North America that we have seen beginning of quarter two. Yes, a different level or so that the destocking is not at the same elevated level anymore.

With our differentiated and broad-based brand and product portfolio, I think we are covering different price points. And with that, I think we are also in a situation to make business within that, I would say, a more challenging situation and business. You also talked about the Henkel Adhesives situation. I think maybe starting with Automotive. For sure, automotive is a very challenging situation from a market perspective.

At that point, you see that the light vehicle production is in Q1 significantly down, especially in North America, for example with a minus 8%. And yes, we see on the other side, no particular or significant pre-shipments impacting our Adhesives business for China. So in that context, yes, Automotive is muted.

On the other side, you have heard me talking about Electronics & Industrials where we have seen some good growth drivers in the market and also with the results with double-digit and high growth, what we realized in Q1, we have been clearly seeing that we are not only participating, but over proportionately participating in that and therefore, we also see no change related to that.

And maybe last point on that is the impact of working days. I talked about that the 1.1% in Q1 of Adhesive Technologies had an impact of roughly 1% point and that would have meant a top line growth in Adhesives of a good 2% and that working day impact will be reverted or is to be reverted in the second half of the year.

So yes, and I think that also goes back to the question of Guillaume, why we are not changing anything on the guidance. I think the volatility, the uncertainty is quite significantly out. And it's, for sure, to dealing with that. But I would like to come back to a point of our Adhesives business.

We are serving 800 industries with 100,000 customers with our 20,000 products and solutions. There is no other company in the world of adhesive coatings and sealings who's doing that to that extent. So therefore, we are very confident and can be very proud of the business we are having.

We are the world market leader. And in that context, I think we have quite a lot of positive things, which will help us to outperform the market, which for sure is in specific segments, maybe not the best at that point. But as I said, we are serving 800 industry segments and not everybody is in that situation like the automotive is, for sure.

And independent of that, you also know that within automotive, we have a quite good, still good development of the electrical vehicles and I pointed that out several times before that we are more than well positioned in that context and that is the Component business in that context.

So therefore, I would say quite a long answer now on your questions, but I wanted to give you, I would say, a kind of a background sentiment why we believe that in both businesses we're sticking to or we're confirming our guidance in the top line 2% to 4% for Adhesive Technologies, 1% to 3% for Consumer Brands.

And also maybe the last point, you know that we have been investing in the last couple of, I would say, 15 months into infrastructure businesses with Seal for Life and Critica Infrastructure, plus our own business. And there is definitely higher infrastructure spending in many states to be seen what we see that's also related that we see quite good developments of our top line in these businesses currently also for the full year, and that's also why we are well positioned in that context. Hope that answers, Rashad.

Operator

Tom Sykes, Deutsche Bank.

Tom Skyes - *Deutsche Bank - Analyst*

Yeah, morning, everybody. So firstly, just to confirm on what you just said on Adhesives. I wasn't quite clear. Do you think you can and you will accelerate in Adhesives even if autos remains where it is now? And then just on Consumer.

I mean, all HPC or all staples companies are saying that H2 is going to be better, and they're all saying they've got an innovation pipeline that's better than before, and they're all saying they're going to spend more money to do it.

So it's obviously going to be quite competitive and probably quite reliant on retailers restocking. So how much of an improvement in H2 in Consumer is going to come, do you think, from an improved sell-out? And how much is coming from an improved sell-in? And of that sell-in, how much is an end of North American destocking/moving into restocking for consumer, please?

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

So, Tom, good morning. I'm still looking for a question for Marco. It seems, Marco, that today is with me. Yeah, Tom, related to Henkel Adhesive Technologies. When you're saying you're not 100% sure that you understand everything. For sure, with, and I told you, with the 1.1% in Q1, for sure, we need to have an acceleration in the course of the year in order to get into our range of 2% to 4%, what we have been confirming today.

And in that context, I think I gave the reasons in the answer before, and I think we should not repeat everything. But again, being the world number 1, being in all industry segments across the world, Automotive is not the only segment. It's 1 out of 800.

And I've given different examples, Infrastructure, Industrials segments, Telecom and Data, the topic of Electronics, where we see not only good size, but where we also see good results and where we have a good pipeline of products to bring that into execution. So therefore, I would say that's very clear, despite the volatile environment and also what other things.

Consumer, I think whatever others are saying, I think we are trying to be clear on what impacted the negative results for the soft start into the year in quarter one, which is two parts, which is market, consumer sentiment and the other part self-inflicted topics, which are related mainly to supply chain challenges.

We said that both have a similar magnitude how that impacted Q1 that will go out. I think we have been very clear that we have solved the supply chain challenges, mainly already in Q1. There will be still an impact in Q2 of that. As I said, there will be some spillover effects and some minor things which still needs to be solved, but not anymore for the second half of the year.

Then I said that we have been seeing some positive signs on destocking in North America, especially when it comes to our Professional business. And for sure, the pipeline, I can only comment now for us. We have a significantly stronger pipeline innovation-wise in H2 than in H1. Hope that helps, Tom.

Tom Skyes - *Deutsche Bank - Analyst*

Yeah, no problem.

Operator

Patrick Folan, Barclays.

Patrick Folan - *Barclays Corporate & Investment Bank - Analyst*

Hi, good morning, Carsten, Marco, and Leslie, thanks for taking my questions. Just going back on the tougher macro comments, if the US development continues to deteriorate as it did at the same run rate throughout Q1, would this decline offset some of the expected innovation benefits you would have in the second half? Or would you even consider delaying any of the innovation launches due to the weaker macro?

And my second question is just on your Laundry business. Can you maybe outline what the plan is to compete with private label in the US in the Laundry segment? Conscious, this is not just an issue for Henkel, but the wider branded manufacturers. But considering the environment is now worse than where we were in 2024, is this something where we should see the innovation impact come from?

Thank you.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

Patrick, good morning. So starting with your second question with the Laundry situation. So what I said before when I was talking about Laundry & Home Care and private label that especially in Europe, the private label situation is a more outspoken one in terms of that private label has a higher share in that business and is also always the one when we come into economic critical situations that the private label shares is over proportionately participating in that, but we also always see that this trend is going and coming back.

In US, the situation is not at the same level. And to outperform private label, I think there are only two answers, which is better innovations or which is innovations and to have better quality on the products. And I think that's something which, for a branded business, is always the factor and in mind, that's also related to our situation that we are significantly spending behind our business.

And to give you also a quantification of what I just said, the private label share in Europe is roughly 20% and in North America, it's a quarter of that, so roughly 5%. So there is a different level or significantly different level of impact.

And maybe, Marco, you take the first question of Patrick, which was related to the macro environment and delay of certain things in context to Q1.

Marco Swoboda - *Henkel AG & Co KGaA - Executive Vice President - Finance, Purchasing, Global Business Solutions and Member of the Management Board*

Yeah. So maybe first, I mean, on the macro, yes, we have seen a significant decline in consumer sentiment, in particular in the US in the first quarter. You see that in many published indices. When we look at that also historically, I think it's fair to assume that low level will not persist for the entire year, at least that is when we look back and that has never happened to that magnitude.

So that is also why many external forecasts to indicate a much better full year than what we had seen in the first quarter. Now I understand your question that asking whether we would revise maybe our phasing also of our in-house innovations that we bring to the market, I don't think that is what we would do.

I mean, definitely, we want to come as soon as early and we have more or less a plan also done for the full year, when do we launch which product, in which market and that we will pull through and then we're going to deal with the overall sentiment as we go. But there's no reason to delay any introduction into the market.

And for sure, as Carsten said that earlier, the pipeline that is more skewed towards the second half will, of course, help to offset an overall also weak environment. But from that point of view, we're going to deal with it going forward and the current assumption is that also the sentiment will improve, in particular in the second half based on what we hear from external forecast and also when we look at historic patterns.

Operator

Thank you. Ladies and gentlemen, thank you for your questions. I will now hand over to Mr. Knobel for his closing remarks.

Carsten Knobel - *Henkel AG & Co KGaA - Chairman of the Management Board*

So first of all, thank you so much for dialing in and your interest in Henkel, and your questions. I fully understand the questions and for sure, the very volatile situation. But let me only point out one point, again. I talked quite a lot about our Henkel Adhesive Technologies business, how strong that business is. Since years since decades that we are the number 1, in that market, and that's the confidence why we will also continue to outperform.

And the same in the meantime for me is very clear and valid for our Consumer business. You have heard me talking about that. We have been driving, over the last two years, the biggest transformation of our company in decades. And you have seen we have been growing in the last two years, 4.5%.

We have been significantly improving gross margins and bottom line. We are getting closer to our mid-term ambition. Yes, there is currently the sentiment and some topics we have to solve. We will solve that. We are delivering on our strategy. And therefore, I'm also confident not only for the mid-term, I'm also confident for the short term means for the year 2025.

I fully understand that there are still a lot of open questions, which are in the line. I hope for your understanding that we need to cut now. Nevertheless, the team will be there immediately after the call to clarify these questions immediately. And hopefully, we see each other for our half year results on August 7.

Thanks for dialing in. Thanks for your patience, and see you soon. Bye.

Operator

Ladies and gentlemen, the conference is now over. Thank you for choosing Chorus Call, and thank you for participating in the conference. You may now disconnect your lines. Goodbye.
