SCOPE | Ratings

Henkel AG & Co. KGaA

Germany, Specialty Chemicals and Consumer Products

Issuer
A
Outlook
Stable
Short-term debt
S-1
Senior unsecured debt
A

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Related methodologies

General Corporate Rating Methodology, Feb 2025
Consumer Products Rating Methodology; Oct 2024
Chemical Corporates Rating Methodology; Apr 2024

Table of content

Rating composition

Business risk profile		
Industry risk profile	A	**A-**
Competitive position	A-	
Financial risk profile		
Credit metrics	AA-	**AA-**
Liquidity	+/-0 notches	
Standalone credit assessment		**A**
Supplementary rating drivers		
Financial policy	+/-0 notches	**+/-0 notches**
Governance & structure	+/-0 notches	
Parent/government support	+/-0 notches	
Peer context	+/-0 notches	
Issuer rating		**A**

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	57.5x	109.9x	46.9x	36.8x
Scope-adjusted debt/EBITDA	0.3x	0.3x	0.5x	0.6x
Scope-adjusted funds from operations/debt	299%	269%	146%	123%
Scope-adjusted free operating cash flow/debt	246%	203%	99%	83%
Liquidity	>200%	>200%	>200%	>200%

Rating sensitivities

The upside scenario for the ratings and Outlook:

- Financial policy more creditor-friendly

The downside scenario for the ratings and Outlook:

- Debt/EBITDA sustained close to or at above 2.0x

*All credit metrics refer to Scope-adjusted figures.

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Leadership in global adhesive industry helped by strong innovative power (ESG factor) and top global positions in selected consumer product categories (laundry, home and hair cosmetics/products) • Very strong financial risk profile (assessed at AA-) amid low leverage. • Conglomerate structure, with an equal balance between specialty chemicals and consumer products, resulting in a relatively low volatility of earnings. • Broad product (and brand) portfolio addressing different end-markets and demand drivers; proportionate mix between B2B and B2C • Strong free operating cash flow generation and liquidity • Strong profitability of Adhesive Technologies division, with EBITDA margin generally close to 20% • History of prudent dividend policy and sound credit metrics	• Moderate profitability of Consumer Brands compared to peers, now on a recovering path after the divisional restructuring started in 2022 (to be completed in 2025). • Weaker position of Consumer Brands division compared to key global peers, especially in North America, despite being strong in Europe. • Some geographical concentration on Europe (about 40% of sales and 50% of EBIT), estimated to be higher for consumer products. • M&A as an integral part of Henkel's strategy, leading to moderate risk of sizeable acquisitions which partly caps the assessment of the financial risk profile

2. Rating Outlook

The Stable Outlook reflects the expectation that Henkel will keep leverage, measured by debt/EBITDA, at around or below 1.0x over time, while gradually recovering profitability on the back of slowly improving market conditions and cost saving initiatives. The Outlook does not include any large multi-billion-euro acquisitions in the medium term, but rather bolt-on deals.

3. Corporate profile

Henkel AG & Co. KGaA, founded in 1876 and based in Düsseldorf (Germany), manufactures adhesives and non-discretionary consumer products. Its business segments are Adhesive Technologies and Consumer Brands, with the latter created in 2023 from the merger of the two previously independent divisions, Beauty Care and Laundry & Home Care. The Adhesive Technologies portfolio includes top brands Loctite, Technomelt and Bonderite and its products are used across numerous industries, including automotive, metals, packaging and consumer goods. Consumer Brands products include hair products for consumer and professional use (hair care, coloring and styling), soaps, shower gels, laundry detergents and dishwashing products. The portfolio has numerous brands, the key ones being Persil (laundry), All (laundry), Bref (home care), Schwarzkopf (hair care), Syoss (hair care), and Dial (soaps).

Henkel has 161 production sites in 53 countries, with the largest in Bowling Green, the USA, and Düsseldorf, Germany. The company employs around 47,000 people.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
22 May 2025	Rating unchanged	A/Stable
28 May 2024	Affirmation	A/Stable
30 May 2023	Affirmation	A/Stable

5. Financial overview (financial data in EUR m)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	41.5x	57.5x	109.9x	46.9x	36.8x	40.1x
Debt/EBITDA	1.0x	0.3x	0.3x	0.5x	0.6x	0.6x
Funds from operations/debt	76%	299%	269%	146%	123%	121%
Free operating cash flow/debt	24%	246%	203%	99%	83%	82%
Liquidity	>200%	>200%	>200%	>200%	>200%	>200%
EBITDA						
Reported EBITDA	2,684	2,929	3,657	3,833	4,017	4,208
Gains/losses on disposal	(46)	205	6	-	-	-
EBITDA	**2,638**	**3,134**	**3,663**	**3,833**	**4,017**	**4,208**
Funds from operations (FFO)						
EBITDA	2,638	3,134	3,663	3,833	4,017	4,208
less: interest	(64)	(55)	(33)	(82)	(109)	(105)
less: cash tax paid	(711)	(505)	(574)	(738)	(778)	(828)
Other non-operating charges before FFO	61	524	(17)	-	-	-
Funds from operations	**1,924**	**3,098**	**3,039**	**3,014**	**3,130**	**3,275**
Free operating cash flow (FOCF)						
Funds from operations	1,924	3,098	3,039	3,014	3,130	3,275
Change in working capital	(601)	184	15	(56)	(57)	(59)
Non-operating cash flow	-	-	-	-	-	-
less: capital expenditures (net)	(566)	(591)	(610)	(780)	(820)	(850)
less: lease amortisation	(149)	(146)	(146)	(146)	(146)	(146)
Other items	-	-	-	-	-	-
Free operating cash flow	**608**	**2,545**	**2,298**	**2,032**	**2,106**	**2,220**
Interest						
Net cash interest per cash flow statement	56	44	17	65	93	89
add: interest expenses pensions	7	10	16	16	16	16
add: other items (AROs)	1	1	-	-	-	-
Interest	**64**	**55**	**33**	**82**	**109**	**105**
Debt						
Reported financial (senior) debt	3,587	2,892	4,289	3,762	4,112	3,462
add: subordinated (hybrid) debt (net of equity credit)	-	-	-	-	-	-
add: shareholder loans (net of equity credit)	-	-	-	-	-	-
less: cash and cash equivalents	(1,292)	(2,155)	(3,420)	(1,965)	(1,834)	(1,015)
add: non-accessible cash	200	200	200	200	200	200
add: pension adjustment	-	10	6	6	6	6
add: asset retirement obligations	10	10	6	6	6	6
add: other debt-like items *	31	78	49	49	49	49
Debt	**2,536**	**1,035**	**1,130**	**2,058**	**2,538**	**2,708**

* It includes sundry financial liabilities.

6. Environmental, social and governance (ESG) profile[1]

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity)
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests)

ESG factors: credit-positive credit-negative credit-neutral

Material ESG factors within chemicals and consumer products

The key material ESG factors affecting both chemical and consumer product companies relate to environmental risks, mainly for resource management (both industries are energy and water-intensive), the circular economy and pollutant emissions. Product safety (implying control over the raw materials used) is also a risk common to both industries, while safety in production plants is a more pronounced risk for chemical companies.

Key environmental targets

Henkel's ESG strategy addresses the relevant environmental risks. Targets include a reduction of absolute GHG emissions (scope 1, 2, 3) from production by 90% until 2045 (base year 2021, 20% achieved by 2024) and the ambition to be climate positive in its production by 2030; 100% use of renewable electricity by 2030 (89% achieved); a reduction of water consumption by 35% by 2025 (23% achieved); and circular water use at key manufacturing sites by 2030. In terms of waste, key targets include a 50% reduction in production waste by 2025 (39% achieved); and 100% of packaging designed for recycling or reusability by 2025 (89% achieved). All bonds issued since 2020 are ESG-related.

Product innovation is a positive ESG factor

We consider product innovation to be a positive ESG factor for Henkel, as the company is at the forefront of sustainable product applications, especially within Adhesive Technologies. This should ensure a sustained competitive position and future revenue streams, as Henkel's portfolio of applications benefits from several megatrends, such as sustainability (in particular circularity and recyclability), mobility, connectivity, digitalisation and urbanisation. As an example, within Automotive more than double of products from Adhesive Technologies are used in electric vehicles than those with internal combustion engines. Henkel's launch of its own battery engineering centre in 2023 in Düsseldorf – the first amongst peers – solidifies its role as a premier design and innovation partner for automotive OEMs and battery manufacturers globally.

[1] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile: A-

Henkel's business risk profile benefits from its leading market position, particularly in Adhesive Technologies, some strong global brands (Persil, Schwarzkopf, Loctite, and Technomelt) and business diversification. Nevertheless, it is constrained by the moderate geographical concentration of operating profits (EBIT) in Europe and by moderate profitability compared to peers, which deteriorated in recent years but is now on a recovering path.

Blended industry risk profile: A

The blended industry risk profile assessment of A is based on Henkel's two divisions operating in specialty chemicals (Adhesive Technologies) and non-discretionary consumer products (Consumer Brands), both of which have an industry rating of A. The split between the two industries in terms of both revenues and EBITDA has been well balanced over the past few years. We have therefore used both our specialty chemicals and consumer product rating methodologies for our analysis.

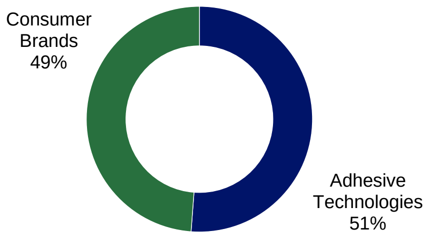
Specialty chemicals

The specialty chemicals industry encompasses a wide range of different-sized companies and is characterised by factors such as production expertise and relationships with customers in aftermarkets. All these elements serve as high de-facto entry barriers. Substitution risk is low, based on high technical production requirements and a lack of alternative production methods. We believe specialty chemicals companies generally have medium sensitivity to changes in GDP because aftermarkets require lower quantities of specialty chemicals in their product processes and prices tend to be negotiated individually.

Consumer products

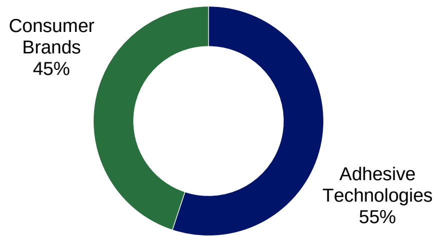
The non-discretionary consumer products industry has low cyclicality. Despite the generally moderate capital investment needed, barriers to entry are medium in view of the efforts needed to attain the required economies of scale and establish customer bases. At the same time, substitution risk is low, reflecting the generally non-discretionary nature of these products.

Figure 1: Revenues split by segment (2024)



Sources: Henkel, Scope

Figure 2: EBITDA split by segment



Sources: Henkel, Scope

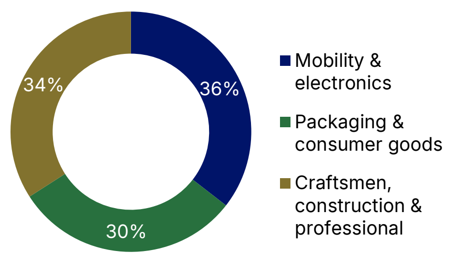
Global number one in adhesives

Henkel's market position is supported by its top position in the global adhesives industry, benefiting from its strong focus on innovation and product sustainability. Adhesive Technologies invests around 3% of sales in R&D, a higher rate than adhesive peers, and has an innovation rate of 25% over the past five years. Henkel is estimated to hold roughly 15% of the global adhesives market for bonding, sealing and coating, with the main competitors including H.B. Fuller, 3M, Sika, Arkema (Bostik) and Dow. Henkel has a global footprint, offers a broad range of technologies and serves various industries. Adhesive Technologies sells multiple globally well-known brands such as Loctite, Technomelt, Bonderite, Pritt and Pattex. On the negative side, Henkel's position in sealants and adhesives used in construction is weaker. In terms of the global market shares of Henkel's business areas within Adhesive Technologies, the company ranks number one in the Mobility & Electronics and Packaging & Consumer Goods end-use markets, and in number two in the Craftsmen, Construction & Professional end-markets. The recent acquisitions in the US of Critica Infrastructure in 2023 (sales of about EUR 100m in 2023) and Seal for Life Industries LLC in Q1 2024 (sales of about EUR 250m in 2023) strengthen Henkel's existing platform in MRO (maintenance, repair, overhaul) solutions and expand the Adhesive Technologies portfolio to the attractive adjacent business of solutions for infrastructure, including, for example, repair and overhaul applications for oil & gas piping or water supply systems.

Focus on sustainable product innovation

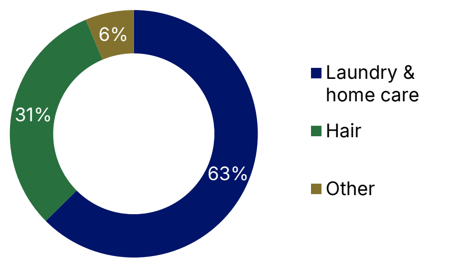
We view positively Henkel's positioning in innovative products, especially for its Adhesive portfolio, as this benefits from the participation in main megatrends, including mobility, connectivity and the circular economy. Henkel has expanded its network of innovation centres in Adhesive Technologies in Shanghai (2024) and in Brazil (2025), in addition to those already existing in Germany, India and the USA. These centres further expand Henkel's global footprint and strengthen its role as a 'co-innovator' together with customers and industrial partners worldwide.

Figure 3: Sales split, Adhesive Technologies (2024)



Sources: Henkel, Scope

Figure 4: Sales split, Consumer Brands (2024)



Sources: Henkel, Scope

Consumer Brands: strong in Europe but weaker globally

The Consumer Brands division is strong in Europe thanks to Henkel's German roots and the popularity of its brands, some of which are deeply embedded in the local culture. However, despite a sufficient ability to set prices, Henkel's position in other geographies is slightly less strong than that of some peers, especially in North America where competitors include Procter & Gamble, Unilever and L'Oreal. Within its two core global categories, Henkel ranks number two in Laundry & Home Care (number one in Europe), and number two in the Professional & Consumer Hair business (hair care, coloration, and styling) within its active geographical markets. Henkel is present in selected but attractive body care markets in Europe and North America, namely Bath & Shower, Deodorants and Soaps with the brands Fa and Dial (the number two soap brand in the USA).

Beauty Care and Laundry & Home Care merged into 'Consumer Brands' in 2023

With the divestment of Retailer Brands in North America (annual sales of around EUR 500m) which was closed in April 2025, Henkel has finalised the portfolio optimisation process (phase I) of the Consumer Brands division initiated in 2022, reaching the target to discontinue or divest brands and categories with sales totalling around EUR 1.0bn. This was part of the integration plan to merge Beauty Care and Laundry & Home Care businesses, aimed at achieving total savings of around EUR 525m (thereof 80% already achieved by 2024) and including also savings from supply chain optimisation (phase II), which is ahead of plan to be completed during 2025. On the acquisition front, Henkel further strengthened its Asian geographical footprint within Hair in Q1 2024 by acquiring the trademarks for the Vidal Sassoon brands in China and some other regions (around EUR 200m in incremental yearly sales) following the acquisition of the Shiseido Hair salon business in 2022.

High brand awareness and loyalty, especially in Europe

Henkel owns a portfolio of numerous brands, which are generally internationally well-known and positioned in the mid to upper price level. Of these, the top ones are Persil (EUR 1.4bn in sales in 2024) and Schwarzkopf (EUR 1.4bn in sales) in Consumer Brands; and Loctite (EUR 3.3bn in sales) and Technomelt (EUR 1.6bn in sales) in Adhesive Technologies. These flagship brands are globally recognised and tend to be positioned in the premium segment, given their focus on innovation. Although Henkel does not disclose its advertising spending, we infer a trend of increasing investments in marketing based on the development of 'marketing, selling and distribution expenses'. These amounted to 28% of sales in 2024, up from 23%-24% in the pre-Covid years. Given its focus on innovative products, Henkel generally spends around 2.0%-2.5% of sales on R&D in the Consumer Brands division, which we consider to be above industry average. Henkel operates 15 innovation centres for consumer products worldwide.

Conglomerate structure enhances diversification

Diversification continues to support the rating. It is positively impacted by Henkel's conglomerate structure with an equal balance between specialty chemicals and non-discretionary consumer products as well as a proportionate mix between B2B and B2C.

Diversification in Adhesive Technologies benefits from a wide product portfolio and a varied end-market mix. It is, however, weakened by the estimated 35% of the portfolio that derives from cyclical industries, including automotive and construction. That said, this negative rating factor is mitigated by the exposure to several end-markets with different degrees of correlation between each other, limiting the variability of results.

Adhesives: widely diversified applications despite portion of cyclical end-use markets

Henkel's non-discretionary consumer products portfolio is diversified but more focussed on a few consumer goods categories than the portfolios of large peers (oral care and skin care were exited as part of the portfolio optimization program announced in 2022). There is also a moderate concentration on key brands. In 2024, the top 10 brands in Consumer Brands had a sales share of around 50%; and the top five technology brand clusters for industrial customers in Adhesive Technologies had a sales share of over 75%.

Consumer Brands: broad product portfolio but focus on few categories and key brands

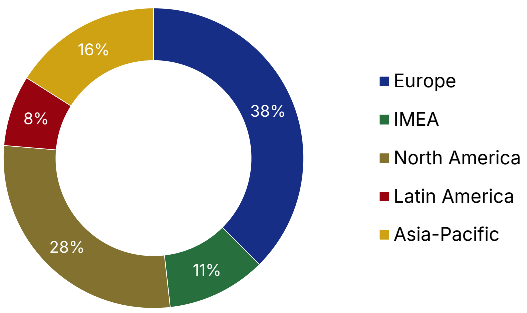
Supplier and customers are broadly diversified, and Henkel has a well-established distribution network. The five largest suppliers represent 15% of purchasing volume in direct materials as of 2024. Henkel's consumer products are sold by various sales channels, including numerous retailers, online shops and drug stores. In 2022, private consumers accounted for 67% of Beauty Care sales and professional providers such as hairdressers and stylists accounted for 33%.

No material dependency on clients or suppliers

Henkel's diversification is constrained by geographical concentration. Despite a global reach, around 40% of sales and an even higher share of reported operating profits (EBIT) of around 50% are from Europe. The geographical distribution of sales has been fairly stable over time, while operating profits have been more volatile, but the share from North American profits has fallen markedly since 2020. Exposure to Europe is even more pronounced in Consumer Brands.

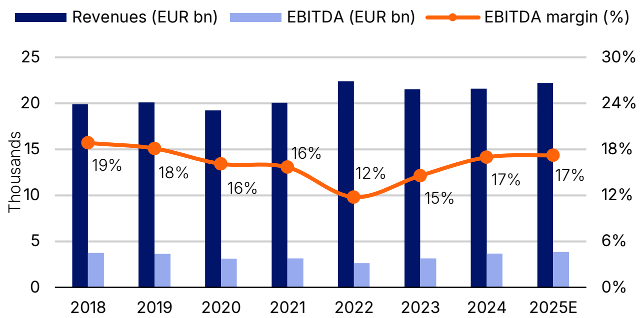
Operating profits fairly concentrated in Europe

Figure 5: Geographical split of operating profits (2024)



Sources: Henkel, Scope

Figure 6: Revenues, EBITDA

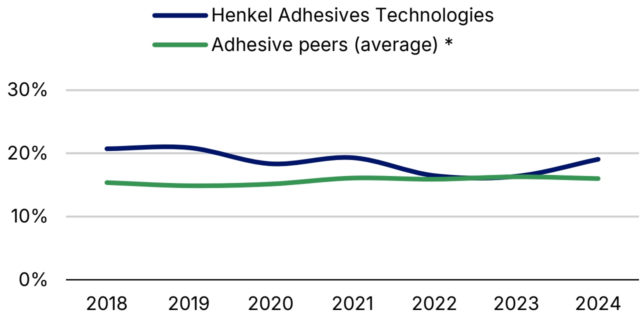


Sources: Henkel, Scope

Profitability is currently a constraining factor for the rating. In the past, EBITDA margins were strong at 18%-19%. However, from 2020, the negative impact of the Covid-19 crisis on industrial demand and the inflationary pressures that followed led to a progressive deterioration in profitability. EBITDA/margin recovered to EUR 3.6bn/17% in 2024 from EUR 3.2bn/14.6% in 2023, thanks to continued margin improvement in both divisions, leading to the highest gross margin (at 50%) in over 30 years for the company. Adhesives' profitability benefited from lower input cost particularly in H1 2024, supply chain efficiencies, innovations and positive product mix, while Consumer Brands' profitability was supported by ongoing portfolio valorisation and portfolio optimisation measures, cost savings and efficiency gains. Despite a slow sales development in Q1 2025 primarily driven by soft demand and supply chain challenges (mainly resolved) within Consumer Brands, we anticipate a low-to-mid-single digit percentage organic growth fuelled by continued high investment into R&D (assumed to remain at around 3% of sales) and advertising, leading to EBITDA ranging between EUR 3.8bn and EUR 4.2bn over the medium term, with the EBITDA margin solidifying between 17%-18% amid improving mix. Additionally, targeted cost savings resulting from the Consumer Brands merger of around EUR 525m (thereof more than 80% already achieved by 2024) are on ahead of plan to be completed during 2025.

Recovering profitability after pressures from inflation and restructuring in previous years

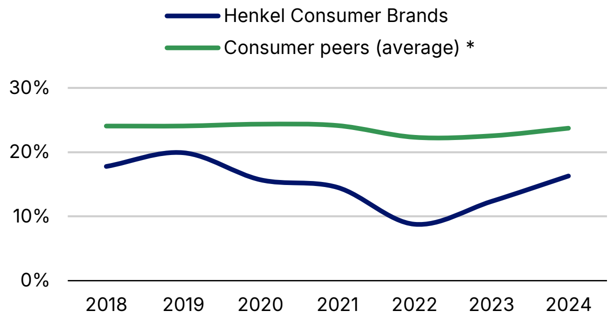
Figure 7: EBITDA margin (%) peer comparison – Adhesive Technologies



* Peers: H.B. Fuller, Arkema, Sika

Sources: Henkel, S&P IQ, Scope

Figure 8: EBITDA margin (%) peer comparison – Consumer Brands



*Peers: Unilever, Procter & Gamble, Colgate Palmolive, L'Oreal

Sources: Henkel, S&P IQ, Scope

Adhesive Technologies supports group profitability

Adhesive Technologies contributes around 55% of group profitability, with margins markedly higher than in Consumer Brands, especially over the past few years. Adhesive Technologies had an EBITDA margin of slightly above 20% before the Covid crisis, falling to around 16% in 2022 and 2023, but recovering to around 19% in 2024. A comparison with some key peers – despite business mix differences – shows generally higher margins for Henkel, which partly reflects its stronger market position and product innovation capabilities. We consider the relative underperformance in more recent years to be temporary, partly explained by Henkel's higher input costs compared to peers, particularly in Europe (high energy content in purchased products from suppliers).

while the margin profile for Consumer Brands is weaker

The EBITDA margin of Consumer Brands declined from around 18%-20% in the few years before Covid to below 10-12% in 2022 and 2023 but recovering to around 16% in 2024. Henkel's profitability is somewhat lower than its larger peers, due in part to differences in scale and product mix but also weaker pricing power in some geographies. The underperformance in recent years is, in our view, the consequence of higher input costs compared to peers producing more outside of Europe. Henkel also increased its marketing spending to to promote valorization strategy with tech-driven innovations. Savings and efficiencies from the restructuring programme positively contributed from 2024, and the increased focus on technologies is set to further improve margins over time thanks to a more favourable mix.

8. Financial risk profile: AA-

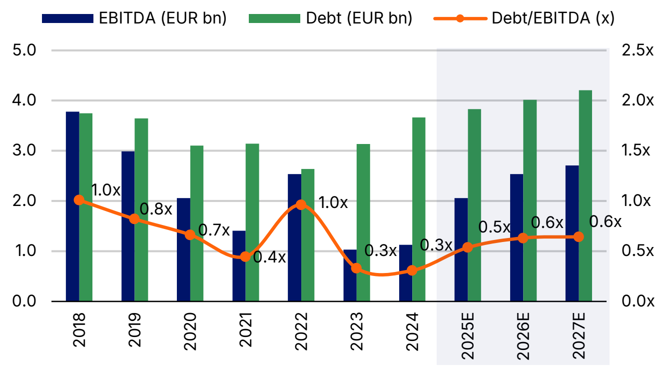
We assess Henkel's financial risk profile at AA-, supported by very strong credit ratios and sufficient free operating cash flow generation in the context of robust internal and external liquidity coverage.

Key adjustments

Our key rating case adjustments include:

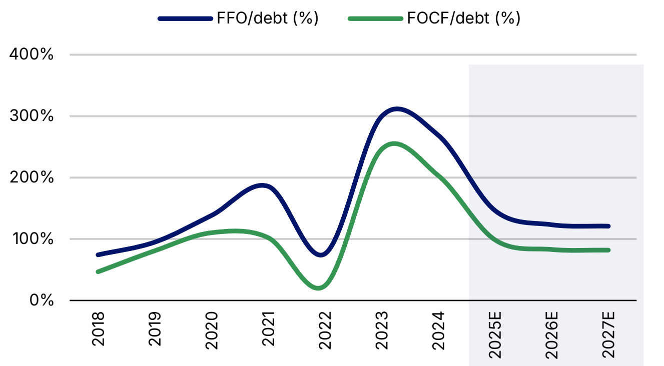
- Debt: 80% of provisions for asset retirement obligations (contingent liabilities) included in Scope-adjusted debt and 5% of contingent liabilities included in Scope-adjusted interest expense to reflect the interest proportion of these liabilities
- Debt: consideration of the 50% of unfunded pension provisions
- FOCF: adjusted for lease payments
- Interest: adjusted for the estimated interest component of pension provisions
- Netting of cash on the balance sheet, except for restricted cash which we estimate at EUR 200m

Figure 9: Scope adjusted debt/EBITDA



Sources: Henkel, Scope estimates

Figure 10: Funds from operations/debt, FOCF/debt



Sources: Henkel, Scope estimates

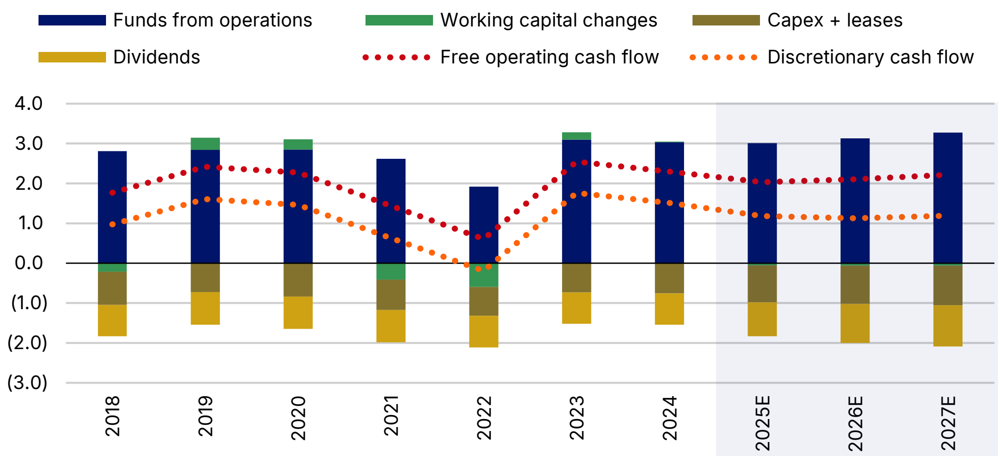
Leverage measured as Debt/EBITDA was stable at 0.3x in 2024 and we expect this leverage metric to remain below 1.0x over time, with recovering profitability partially offset by potential risks of sizeable acquisitions. Similarly, we forecast FFO/debt metric to remain at comfortable levels above 60% over time. Our assumptions include EUR 1.5bn of acquisitions per year, dividends of between EUR 850m and EUR 1.0bn per year, as well as EUR 1.0bn share-buyback during 2025/2026.

Leverage to remain below 1.0x on a sustained basis

FOCF/debt remained at very strong levels above 200% over the past two years after the large net working capital needs in 2022. We see cash flow cover to stay significantly above 35% over time despite capex increasing around EUR 750-800m per year (around 3.5% of sales) going forward compared to EUR 610m in 2024.

Very strong cash flow cover to remain above 35%

Figure 11: Cash flow sources and uses (EUR bn)



Sources: Henkel, Scope estimates

We anticipate that EBITDA interest cover will remain well above 30x over time with interest assumed at around EUR 100m per year amid higher debt. Interest cover has a lower weighting than other credit metrics in our financial risk profile assessment of high investment-grade-rated issuers like Henkel.

Interest cover over 30x

Henkel has consistently strong ratios above 200% for internal and external liquidity coverage. Besides ample recurring free operating cash flow, liquidity is mainly supported by EUR 3.4bn of cash and equivalents as of December 2024 and an undrawn long-term revolving credit facility of EUR 2.0bn maturing in 2029. Cash and equivalents alone are enough to cover current debt maturities until 2028. In terms of outstanding bonds, small maturity of EUR 0.1bn in 2025, increasing to around EUR 0.6bn in 2026 and 2027.

Adequate liquidity

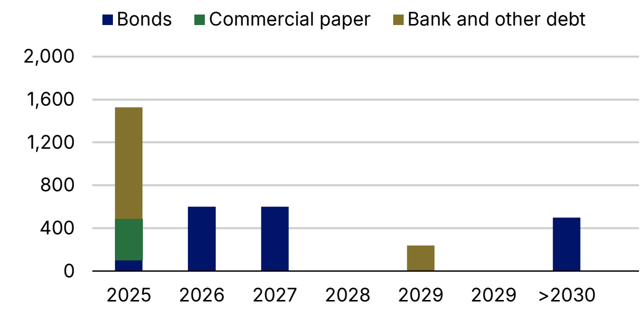
Table 1. Liquidity sources and uses (in EUR m)

	2025E	2026E	2027E
Unrestricted cash (t-1)	3,220	1,765	1,634
Open committed credit lines (t-1)	2,100	2,100	2,100
FOCF (t)	2,032	2,106	2,220
Short-term debt (t-1)	1,527	650	650
Liquidity	**>200%**	**>200%**	**>200%**

Source: Henkel, Scope estimates

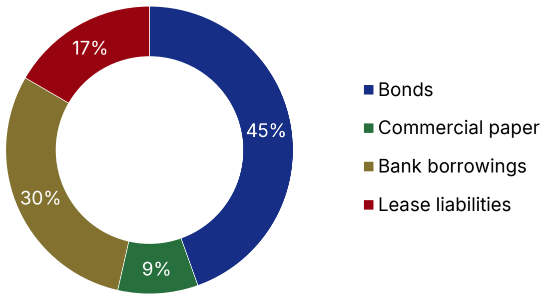
Senior unsecured bonds make up the largest share of Henkel's debt, with an increasing portion of ESG-related bonds, covering over 80% of the outstanding bond volume. Following the 2020 issuance of a green bond earmarked for reducing plastic waste, Henkel issued two sustainability-linked bonds in 2021 (USD 250m maturing in 2026 and EUR 500m maturing in 2032) and one in 2022 (EUR 650m maturing in 2027).

Figure 12: Maturity profile (excluding leases) as of December 2024 (EUR m)



Sources: Henkel, Scope

Figure 13: Debt split as of December 2024



Sources: Henkel, Scope

9. Supplementary rating drivers: +/- 0 notches

Conservative financial policy and family ownership with long-term ambitions

The most relevant supplementary rating drivers for Henkel remain financial policy and ownership structure. The Henkel family is the main shareholder, holding roughly 62% of ordinary shares. Henkel's financial policy is conservative, based on consistently sound credit metrics in past years, the commitment to a single A rating category and a prudent dividend policy with pay-outs targeted at 30%-40% of adjusted net income after minority interests. While we understand that Henkel may initiate large acquisitions opportunistically, the above-mentioned factors mitigate such risk, coupled with the company's ability to deleverage through sound discretionary cash flow generation.

10. Debt ratings

Senior unsecured debt rating: A

Senior unsecured debt is rated at A, the same level as the issuer rating. All outstanding bonds are issued by Henkel AG & Co. KGaA.

Short-term debt rating: S-1

The S-1 short-term debt rating is based on Henkel's issuer rating of A/Stable and better-than-adequate internally and externally provided liquidity cover, banking relationships and standing in capital markets.

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